

JPRS 76335

29 August 1980

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2038



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SHORTCOMINGS IN THE 1980 ECONOMY DISCUSSED

Sofia RABOTNICHESKO DELO in Bulgarian 4 Aug 80 p 1

[Editorial: "Hard Work and Mass Competition in Honor of the 12th Party Congress!"]

[Text] The date for the 12th Party Congress has been set. All party members, the entire nation, welcomed with tremendous enthusiasm and labor upsurge the decision to hold this congress which will play a tremendous role in the further building of a developed socialist society in our country. The 29 July 1980 BCP Central Committee Plenum not only decreed the convening of the congress but drew a short balance of the implementation of the plan for the socioeconomic development of the country.

This balance is optimistic and pleasing.

Labor in Bulgaria can be proud of its successes quite legitimately. In the past 4 years of the current five-year plan the produced national income was nearly 5 billion leva higher than in the entire Sixth Five-Year Plan. Capital assets worth about 21.5 billion leva were installed. Considerable changes took place in the structure of the economy. Trends in scientific and technical progress such as the development of electronics, microelectronics, robotics, and chemization were developed faster. New successes were achieved in agriculture, construction, transportation, and the remaining national economic branches. Real per capita income rose. In 4 years 278,000 housing units were built. Our participation in the international division of labor and in socialist economic integration has become even more energetic.

These successes become even greater against the background of the complex conditions under which economic tasks were implemented. The past period was marked by an energy-raw material and financial crisis of capitalism. The explosive increase in the price of goods on the international market affected our economy as well. Furthermore, there was almost no year without adverse weather conditions and natural disasters, as a result of which in the past 4 years national income worth over two billion leva could not be produced. Despite such difficulties, all the necessary conditions and prerequisites exist for the successful implementation of the Seventh Five-Year Plan for all basic indicators.

All this led the BCP Central Committee Plenum to the conclusion that so far a new major step was taken in the Seventh Five-Year Plan toward building a mature socialist society. Steadfastly following the April party line, the Bulgarian People's Republic reached new heights which, in a number of areas, have already raised it to the level of the most developed countries in the world.

The Central Committee Plenum noted the unquestionable and positive trends and successes. However, with an exactingness inherent in our party it also noted that in previous years not all possibilities and reserves were used. A number of economic units allowed weaknesses and shortcomings in the utilization of raw and other materials, machines, equipment, and labor. These weaknesses were not surmounted in the first half of 1980 as well. Thus, for example, in the past 6 months 320 enterprises failed to fulfill their counterplans mainly because of breakdowns, machine idling, poor organization of the work, and nonobservance of technological and labor discipline. That is precisely what obligates us more than ever to focus our attention on the main problems which will determine to the greatest extent both the fulfillment of the 1980 plan as well as the entire Seventh Five-Year Plan.

What are the urgent tasks?

The main thing now is to develop on a broad front organizational, ideological and political-educational work to mobilize the forces and creativity of all party, state, economic, and public organs and organizations and all working people, in order to implement the party's slogan of "No Single Collective With a Debt to the Five-Year Plan." In order to achieve this, a struggle must be launched in each work place, brigade, sector, shop, enterprise, and agroindustrial complex to establish and make full use of existing reserves and to insure the fulfillment and over-fulfillment of the plan for all indicators. "The time before the 12th Congress," Comrade T. Zhivkov stated, "must become a time of nationwide labor and struggle for the highest possible results and most qualitative and effective work of every working person and labor collective in our country."

In the labor battle for the fulfillment of the 1980 and the Seventh Five-Year plans, the main attention must be focused now on the practical implementation of the decisions of the National Party Conference on the most effective utilization of the three elements of the production process: labor objects, labor tools, and labor. On this basis savings of material outlays totaling 700 million leva above the 1980 state plan and 1.1 billion for 1979 and 1980 together must be achieved.

A decisive improvement must be reached in the state of capital construction. Efforts and resources must be totally concentrated on the ahead of schedule commissioning of national target projects and on

reducing the volume of unfinished construction. At the same time, the economic organizations must pay particular attention to the fast mastering and reaching of new planned capacities.

The agricultural workers face major and responsible assignments. They must dedicate exceptional concern for the successful raising and protection of the crops and of everything grown on our soil. Every kilogram of agricultural produce must be harvested, stored, and utilized on time and without losses. Particular attention should be paid to increasing the productivity and number of livestock and rationalize their nutrition, making the fullest possible use of rough fodder and of mountain pastures.

The engineering-application organizations and other scientific units should entirely reorganize their work and focus their efforts, above all, on the practical solution of production problems and become involved to a maximum extent in the task of fulfilling the annual and the five-year plans. The entire scientific potential of the country must be focused exclusively on the application of already completed projects. The workplaces of scientific workers and engineering-application cadres must be in the plants and shops where practical problems are being resolved.

Work on the comprehensive and systematic application of the new economic approach and new economic mechanism at all management levels is the key to the successful solution of all plan assignments. In this connection the efforts must be focused on the comprehensive introduction of the new type of brigade organization of labor based on the principles of brigade cost accounting and self-support; extensive application of leading experience; closer ties between science and production; and enhancing the role of the contractual system.

The new economic approach and new economic mechanism are incompatible with irresponsibility and liberalism in the management of economic processes. They require decisive improvements in state, labor, technological, planning, contractual, and financial discipline. The plenum made it incumbent on all party organs and organizations to intensify their reciprocal exactingness and responsibility and openly confront anyone who violates the discipline, regardless of his rank, position, or place.

The implementation of the urgent tasks demands of the party organs and organizations of ministries, departments, economic units, and okrugs to shift their entire party-political, educational, and organizational work to plants, shops, and workplaces, where the economic tasks are being practically implemented. They must lead all working people to shock labor and to the mass competition for the fulfillment and overfulfillment of the counterplan for 1980--the final and decisive year of the Seventh Five-Year Plan.

The main feature currently governing the implementation of the 1980 and the Seventh Five-Year plans is shock labor, useful work, and specific practical results everywhere and in everything. Only thus shall we be ready for properly meeting the 12th Congress of our great Bulgarian Communist Party.

BULGARIA

LIVESTOCK BREEDING RESULTS FOR FIRST HALF OF 1980

Sofia KOOPERATIVNO SELO in Bulgarian 29 Jul 80 p 2

[Article by Kamen Beligerski, chief specialist at the National Agro-industrial Union: "A Balance With Some Thoughts"]

[Text] The implementation of the production program in livestock breeding in the first half of the year was marked by the steady efforts of the production collectives to surmount the consequences of adverse weather conditions and difficulties with the normal feeding of the livestock and poultry.

Compared with the same period in 1979, the number of animals in the public farms showed an insignificant change. Livestock rose by 0.2 percent and poultry by 1.3 percent, while the number of hogs, cows, and sheep declined, respectively, 0.8 percent, 1.4 percent, and 3.8 percent.

The reduction in the number of cows is worrying. They declined by 1,094 in Mikhaylovgrad Okrug, by 934 in Vratsa Okrug, by 887 in Stara Zagora Okrug, by 708 Pazardzhik Okrug, by 656 in Veliko Turnovo Okrug, by 618 in Lovech Okrug, and by 504 in Silistra Okrug. A similar situation prevails in the case of sheep in Plovdiv, Tolbukhin, Lovech, Khaskovo, Veliko Turnovo, Yambol and Razgrad Okrug, and, for hogs, in Ruse, Varna, Tolbukhin, Shumen, Pleven, Burgas and Veliko Turnovo okrugs. The number of poultry declined considerably: By 311,000 in Veliko Turnovo Okrug, 190,000 in Sofia Okrug, 194,000 in Razgrad Okrug, and 83,000 in Stara Zagora Okrug.

It is mandatory for the specialists and managers in these okrugs to pay more serious attention to increasing the herds and take specific measures to meet the quotas, for this is closely tied to the fulfillment of the plan for natural indicators.

The average milk production per cow over the past 6 months was 1,490 liters, or over 27 liters more than in the first 6 months of 1979.

The livestock farms in Mikhaylovgrad, Plovdiv, Pleven, Lovech, and Stara Zagora okrugs produced less milk per cow compared with last year.

The trend in egg laying has been adverse. The average for the country was 102 eggs per hen compared with 103 last year. In some okrugs, however, the decline has been far greater, as follows: 13 in Yambol Okrug, 12 in Mikhaylovgrad, 11 in Lovech, and 9 in Turgovishte and Veliko Turnovo okrugs.

In the first half of the year the agroindustrial complexes, together with the other agricultural organizations, produced 709,120,000 liters of cow milk. Compared with the first half of 1979, less milk was produced by 18 okrugs. Substantial increases were achieved in the following okrugs: Kyustendil, 18.4 percent; Kurdzhali, 12.4 percent; Turgovishte, 9.4 percent; Sliven, 8.9 percent; and Blagoevgrad, 8.2 percent.

Some okrugs have fallen substantially behind in the fulfillment of their milk plan. Compared with the first 6 months of 1979, production declined in the following okrugs: Mikhaylovgrad, 2.4 million liters; Pleven, 2.1 million liters; Stara Zagora, 1.6 million liters; Plovdiv, 1.4 million liters; and Vratsa and Lovech okrugs, over 1 million liters each.

The adverse weather conditions during the year affected mostly the production of ewe's milk. Compared with last year ewe's milk production declined 12.6 percent. The lagging, compared with the national average, has been considerably more substantial in the following okrugs: Lovech, 20 percent; Kurdzhali, Vratsa, and Veliko Turnovo, 18 percent each; Burgas, 17 percent; Pleven, Stara Zagora, and Yambol, over 15 percent each.

Compared with the first 6 months of last year, egg production increased by 3,650,000, mostly by the poultry combines of the Poultry Breeding Scientific Production Trust.

Lagging behind the national average egg production are Mikhaylovgrad, Yambol, Plovdiv, Turgovishte, Lovech, and some other okrugs.

By 30 June the purchasing plan-schedule had been fulfilled as follows: meat, 95.4 percent; poultry meat, 100.8 percent; cow milk, 96.2 percent; ewe's milk, 92 percent; and eggs, 102.4 percent.

The managements of the okrug agroindustrial unions, agroindustrial complexes, and other agricultural organizations must take very serious measures to surmount the lagging of a number of okrugs in order to insure the successful fulfillment of the livestock produce purchasing plan. Lagging in meat purchases are Yambol, Pleven, Smolyan, Veliko Turnovo, Stara Zagora, Silistra, Mikhaylovgrad, Vratsa, and Khaskovo okrugs; lagging in poultry meat purchases are Pernik, Gabrovo, Smolyan, Sofia City, Plovdiv, Kyustendil, Razgrad, Vratsa, and Sliven okrugs.

The following okrugs are behind in the fulfillment of the milk purchases schedule: Lovech, Pleven, Mikhaylovgrad, Stara Zagora, Smolyan,

Kurdzhali, Burgas, Plovdiv, and Yambol okrugs; of eggs: Blagoevgrad, Pernik, Mikhaylovgrad, Razgrad, and Sofia okrugs.

The achievements in the first half of the year of the individual farms, combines, and complexes must be studied and a profound assessment of results in livestock breeding must be made. The creation of suitable conditions is required, in accordance with technological requirements, for the prompt purchasing of the produce and possibilities must be sought on an organized basis for the overall implementation of the 1980 state plan.

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CSO: 2200

COMBINE, ENTERPRISE MANAGEMENT AND PLANNING REVIEWED

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 28 No 7, Jul 80 pp 769-787

[Text of talk given at 30th meeting of Scientific Council for Economic Research (place and date not indicated), by Prof Gerd Friedrich, economist, born 1928; deputy director, Central Institute for Socialist Economic Management, SED Central Committee; chairman, Scientific Council for Management Problems in the Economy; corresponding member, GDR Academy of Sciences; chairman, WIRTSCHAFTSWISSENSCHAFT editorial board: "Management and Planning in Combines and Enterprises -- Experiences and Generalisations"]

[Text] The establishment of combines, which placed management and planning of the GDR economy in the field of industry and construction on a new basis, is described as a process which takes account of a basic trend in the further socialization of production and is directed toward shaping socialist ownership in such a way as to assure a closer connection between science and production and further development in the social division of labor.

Discussed are important questions of improving management, questions that are related to the development of these economic units. This involves such problems as selecting and implementing the main directions of development for the entire combine; goal-oriented management and organization of complex innovation processes; direct and uniform management of the combine's reproduction process by the combine management staff while preserving a high degree of autonomy on the part of combine enterprises in accordance with their objective economic position within the combine's reproduction process and developing the creative initiative of the working people in the socialist competition as related to the basic tasks of the combine.

Particular emphasis is placed on management's responsibility for a high degree of economic effectiveness of scientific-technical progress in the combines and its requirements. Supplementing the basic remarks is a discussion of experiences gathered by advanced combines and the priorities on which they are concentrating their efforts.

A section of the article deals with improving combine planning and economic accounting. The emphasis is on the main areas of work aimed at expanding longer-range planning, improving the normative and analytical bases of annual planning and standardizing planning bases as related to methodology and information science. It is stressed that the effectiveness of combine planning depends not least upon the degree of success in properly structuring the interrelationships between planning and economic accounting and upon the inseparable connection that exists between this success and further development of the performance evaluation of the combines and their enterprises. In this context, reference is made to the introduction of new basic index figures into the evaluation of performance.

A concluding section elucidates problems involved in the responsibility of combines in the foreign trade field.

Since the beginning of 1980, industry and construction in the GDR have had at their disposal 129 combines which come directly under the authority of the ministries. Working in them are more than 90 percent of the working people employed in centrally managed industry and centrally managed construction, as compared to 36 percent in 1976; they account for about 90 percent of industry's research and development potential and are responsible for close to 90 percent of total goods production.

The establishment of combines placed management and planning of the GDR's economy on a new basis in the industry and construction sectors. With their enterprises, research facilities and marketing organizations, large economic units -- having as a rule between 20,000 and 40,000 employees and goods production valued at several billion marks annually -- now form the stable basic framework of the management structure. "This ushers in a qualitatively new stage of our socialist planned economy. The phase of combine formation has been concluded, with a few exceptions. Now the task is for all combines to work to the standards of the best, stepping up the pace in drawing closer to the level of the advanced. Since the results of many years of experience by efficiently operating combines are at our disposal, the others can make the transition to a higher level of work within a substantially shorter time. The great differences in growth rates and in developing inner reserves must be eliminated."¹

A topic of discussion at the SED Central Committee's exchange of experiences with the general directors and Central Committee party organizers of the combines, conducted from 19 to 21 March 1980 in Gera, was utilization of the experiences of efficiently operating combines in order to eliminate existing differences in levels and to enforce in all combines the pace required by the national economy in the 1980's. This exchange of experiences will be used to find out how the work of economists can analyse more deeply and generalize the process of combine development, how it can help pass on the experiences of those combines which are doing good work, so that additional economic growth reserves may be uncovered.

On the Characteristics of the Process of Forming and Developing Combines

Combine development is the result of a lengthy process, in the course of which the SED has always endeavored to develop those forms of economic organization which best corresponded to the particular level of productive forces and production conditions, and which were most effective in promoting their further development. In accordance with the resolutions of the Ninth Party Congress, combines directly subordinate to the industrial ministries prepared and implemented additional measures in the area of combine development and formation in order to put to use for intensification the potential for effectiveness inherent in this process. It can be said at the same time that the establishment of large economic units constitutes a basic trend in the further socialization of production which is taking place at different rates of speed and in various forms in all CMEA member nations.

The formation of combines posed and answered a fundamental question of strategic procedure involved in improving the management and planning of the national economy. There are objective bases underlying the structuring of the management buildup in the socialist economy. It is known that the need for all management activity derives from the social character of the labor process, from the cooperation and concentration in the work of many in a single production process, and chiefly from the division of labor. Consequently, the specific structure of the social character of labor has a great influence on management work. Under the conditions of socialist ownership, it is possible and at the same time necessary to structure development of the social character of the labor process -- in other words, the socialization process -- according to plan; and this must be done quite decisively from the standpoint of establishing optimal conditions for a highly effective management of production.

From this aspect, formation and development of the combines is at once a process of shaping socialist ownership directed toward speeding up the development of productive forces and advancing the material-technical base of production. One thing becomes clear in this process: Neither is the further development of production conditions the simple and passive result of developing productive forces, nor can one assume that the existence of socialist ownership of the means of production "in itself" confers that

economic superiority which is reflected in the greatest economic effectiveness and rationality, which results in the greater productivity of the socialist mode of production. The real process of developing the economies of the socialist society depends upon the utilization of socialist ownership, upon the "actual socialization of production," as Lenin put it. But utilization of socialist ownership means continuing to develop the social division of labor and to organize production efficiently within the limits of economic units and the economy as a whole as well as to stamp the work with a socialist imprint, to continue to improve the management and planning of production -- indeed, of the entire economic mechanism of the socialist society. This dialectic of the development of productive forces and production conditions takes into account the formation and development of the combines as socialist economic units by building on the current level of the socialization of production, thus advancing this process, and by bringing in additional potential for effectiveness which exceeds the capacity of the individual production enterprise.

It is a recognized fact that production is difficult to control if it is broken up into many specialized processes within the overall economic framework. This is particularly evident wherever technology and product assortment are undergoing rapid development, where qualitative innovations are necessary and where one of the main concerns is turning scientific-technical results to economic account as rapidly as possible. It is these conditions in particular which foster the need for concentration. This need is met by the very organization of the overall management system on the basis of the combines. It supplies the material and managerial prerequisites for a tight and at the same time flexible organization of complex and interwoven economic processes on the immediate level of the operational units, and it provides every opportunity for the resolute use of specialization and cooperation under uniform management.

Nevertheless, this process of concentrating economic potential in large economic units is not -- as is characteristic of the socialization of production in the single enterprise -- determined primarily by the concentration and specialization of production; rather, the fundamental aspect consists in the closer link between science and production. This difference should be given special emphasis because -- although the combine must of course carry forward the process of concentrating and specializing production in the combine enterprises in the interest of optimal production standards and with the goal of a relatively self-contained reproduction process -- the closer link between science and production as a fundamental process expresses the combine's specific responsibility toward the national economy: that of achieving a higher level of effectiveness in production by way of major results in science and technology and their transference to production, and that of better satisfying national economic demand while reducing expenditures. It is for this reason that the combine, which is responsible within the economic reproduction process for the production of a specific kind of product, has at its disposal the capacities needed for this. This applies equally to capacities for research and development,

design and project-planning, technological advancement, the construction of rationalization means and those for the transfer of research and development results to production -- and beyond these levels to subcontractor products that determine quality and standards. The material structure of the combine -- the scientific-technical pre-production sectors, the capacities for principal, auxiliary and secondary production processes, including marketing and supply -- must be organized and developed in such a manner that this large economic unit, supported by its own potential, is able to handle complex processes of scientific-technical progress in such a way that national economic demand (including export) is satisfied with a high degree of effectiveness.

The development of combines thus concerns not primarily changes in organizational structure, but rather an economics-based concentration process, an economic amalgamation of enterprises and institutions that are organically linked with one another. The combine is thus a socioeconomic organism, not plainly and simply an "economic management organ." The basic idea underlying the formation of combines is that of closing the cycle of reproduction at the combine level. The combine therefore has capital and capital goods at its disposal and operates strictly according to the principles of economic accounting.

Development of the combine's relatively self-contained reproduction process, its material structure in the broadest sense of the word -- production assortment, means of production and technology, the specialization of combine enterprises and so forth -- and the resolute use of scientific-technical potential directed toward this aim are the most important conditions for attaining stable rates of growth of effectiveness and production in the combine over the longer run. Only in this way is it possible to use to the fullest the advantages of large economic units compared to individual enterprises to achieve the following conditions:

Mastery of complex innovation processes and the acceleration of scientific-technical progress, together with an increased economic and social effectiveness;

Swift reaction to new conditions on domestic and foreign markets and satisfaction of demand;

Economy in the use of production resources and the concentrated use of available means for increasing effectiveness and production.

Upon conclusion of the process of forming or restructuring combines and organizing the entire sector of centrally managed industry in the form of these large economic units, it became necessary to sum up in a political/legal document the nature of the combine, to fix its economic and legal responsibilities within the economic reproduction process and the state system of management of the economy. Consequently, the "Decree on State Combines, Combine Enterprises and VEB's" was issued on 8 November 1979.

This decree characterizes the combine as a basic economic unit for material production and a modern form of management and organization in industry and construction. It operates according to binding state plan targets and bears a major responsibility for satisfying national economic demand and increasing the effectiveness of production. In connection with managing its reproduction process, the combine performs state economic management functions. Within the framework of legal regulations and on the basis of the plan, it is charged with carrying out every option, every measure aimed at a more effective specialization and concentration of production in the combine enterprises as well as the centralization of duties and functions of preliminary and/or final production processes. The combine has at its disposal uniform state-owned funds which consist of central funds and those of combine enterprises. It is a legally competent and corporate entity.

The combine consists as a rule of combine enterprises. Economically and legally, they are autonomous units. It is important to note that they receive their state plan through the combine and must implement and submit a final accounting on it, as does the combine as a whole. The role of the enterprise within the combine takes into account the objective fact that material production in industry and construction is carried out on the basis of enterprises as economic units, with their traditions, enterprise titles and their close territorial interdependence. At the same time, it must be assured that the activity of each individual enterprise is directed more toward the end result of the combine as a whole. The national economic responsibility of the combine enterprise is reflected in the fact that its duties are to be performed within the framework of the combine.

The characteristics of the nature of the combine and the position of the enterprise within the combine, as set forth in the decree, are of fundamental importance because they clearly express how, on the one hand, the process of combine development advances the process of socialization of production and, on the other hand, how full consideration must be given in economic and legal regulations to the level of production socialization that has actually been attained. Three facts should be noted as a means of further clarification:

1. In contrast to the former legal arrangement whereby the position of the combine was derived basically from that of the enterprise, here the independent character of the combine is clearly defined for the first time -- and the position of the combine enterprise is derived from its role in the combine's reproduction process. This is highly important to the further impact of the relatively self-contained reproduction process in these large economic units and to further socialization.

2. Some economists from other socialist countries have contended that the process of developing large economic units causes the enterprise to lose its economic and legal autonomy and cease to operate according to the complete economic accounting system; that only features of internal economic

accounting remain relevant for the enterprise. Previous experiences clearly show that an approach such as this involves the danger of relieving the enterprise of economic responsibility for processes which it continues to carry out, and must carry out, on its own responsibility on the basis of the plan. As a rule this leads to repression of enterprise initiative, while some opportunities for effective operation are neglected and commodity/cash relations can no longer be used to the full advantage required for economic stimulation of the enterprise's work. At the present level of socialization of production, the combine can fulfill its responsibility only with combine enterprises that are stable and operating effectively, but this economic stability on the part of combine enterprises cannot be separated from their economic and legal responsibilities.

3. The decree standardizes the position of the combine and the relationships between combine and combine enterprises -- and the combine is the standard basic form of the large economic unit in all sectors of industry and construction in the GDR. Since the actual degree of production socialization varies sharply in the individual sectors (particularly the concentration and specialization of production, the size and number of enterprises in a branch and their territorial distribution), specific conditions must be taken into account in detailed ministry regulations and/or in the statutes and ordinances of the combines. The combine decree also provides for a varied approach such as this, especially in the concrete representation of the combine's management system -- proceeding on the principle that the management system must be organized simply and clearly and entail low management costs.

On the Responsibilities of Combine Management

As a result of altered conditions and demands upon the comprehensive management and planning of the combines' reproduction processes, development of the combines at once raises important questions regarding improvement of the management system in the combines and their enterprises. The following issues are prominent:

Concentration by the central combine management on selecting and implementing the main directions of development for the economic unit. This includes determining the long-range goals of combine development, especially of scientific-technical progress, and requires the concentration of research and development on the key areas of product and procedure development; the drafting of investment, rationalization and reconstruction strategy and the concentrated application of material and financial means; further progress in the division of labor and specialization in conjunction with the development of technology and production organization; the determination of marketing and export responsibilities as well as the concentration of specific marketing functions;

Goal-oriented management and organization of innovation processes; efficient organization of all phases of the reproduction process, including

cooperation relationships, in order to control and shorten the cycle of research, development, technology, production and marketing as well as to assure the systematic quality and continuity of production while maintaining a high degree of effectiveness and the best possible quality of the product;

Assurance of direct and uniform management of the combine's reproduction process while preserving a large measure of autonomy for combine enterprises in accordance with their objective economic position within the combine's reproduction process; steady improvement of material, organizational and social conditions aimed at better control over the entire cycle of reproduction. This requires among other things an efficient system for the operational management of production designed to fulfill the responsibilities of the entire combine in terms of contractual and plan obligations;

Uniform direction and management of the working people's creative initiative in the socialist competition as it relates to challenging and real plan tasks.

The combine can live up to its national economic responsibility only when the tasks and functions of management which are connected with the effective operation of the whole combine's reproduction process are consistently attended to centrally within the combine. Experiences acquired in the process of forming and consolidating the combines emphatically confirm the great personal influence which the managers who lead these economic units exert by way of their decisions, their aggressive stance and their management style on the entire combine's struggle to achieve superior economic results. Prerequisites for successful work are the personal involvement of the general director in setting lofty goals for the accomplishment of national economic tasks, well-founded criticism and clear conclusions, a precise accounting of that which has been achieved and acknowledgment of superior performances. Fulfillment of these conditions helps instill in management at all levels of the combine, all the way to the collectives, that attitude toward resolutions and tasks which is necessary if the problems of the present are to be mastered and the challenges of the future are to be met. Such an attitude assures the following conditions:

All necessary decisions are made on the basis of social responsibility and measured by the requirements of a substantial increase in national economic productivity;

Cadre act responsibly with regard to scientific-technical progress, make every effort to accelerate it and work actively to transfer its economic results into production;

Internal productivity reserves are exhausted in the interest of production to satisfy demand; the socialist attitude toward work and new initiatives in the collectives are encouraged;

Pride in successes is always linked with impatience toward existing deficiencies, the struggle against self-satisfaction and the establishment of higher goals for all.

The general director of a combine bears a great personal responsibility for the work of a large collective, for the profitable use of enormous amounts of capital and capital goods. This is why it is so important for him to know how to concentrate in his managerial work on those tasks that are crucial to increased productivity and effectiveness and to the all-round fulfillment of the plan in the combine.

Science and technology naturally occupy a special position in this collection of tasks. An essential condition which enables the combine to show itself to be a stable element of the economy is the manager's discernment, his ability to deduce from national economic requirements recognizable scientific-technical development trends and to derive challenging tasks for the scientific-technical and pre-production sectors from an uncompromising comparison with the international technical-economic level; another essential condition is his ability to maintain in these sectors an atmosphere and work organization which encourages productivity, which is directed toward top-flight achievements. A characteristic of the working style of good general directors is the preparation and implementation of decisions in this area in such a way that the necessary scientific-technical lead is assured and results of science and technology are swiftly turned to account in production. Such directors operate on the basis of high-quality long-range planning within the combine, planning which enables them to use the five-year plan and the annual plans based on state objectives to develop and employ the combine's entire potential so that it measures up to the productivity demands of the national economy.

The unified action in the combine aimed at achieving superior end results for the national economy requires close collaboration between combine management and the combine enterprises. Needed here are suitable forms and methods of cooperation between the general director and the combine enterprise directors, who as a rule are part of combine management. If basic issues of combine development are clarified by the combine management, and if technical directors of the combine get together with the combine enterprise directors to work out a uniform policy on accomplishing their work, a goal-oriented and common approach is assured for all sectors and enterprises of the economic unit. A constant concern of the general director must be the development in the entire management collective of a trusting cooperative relationship oriented toward high goals.

A proven practice in many combines is the holding of regular consultations with the SED Central Committee's party organizer, the NGL /enterprise labor union board/ chairman and the general director; equally successful has been the participation of these officials in combine management meetings. The same is true of the regular attendance of the general director at meetings of managerial bodies of social organizations. It is in this way that

important leadership documents from combines become a basis for the socialist competition goals presented by the general director. Also prepared in close cooperation with the social organizations are the general director's reports to the combine work force on implementation of the plan. This responsive interaction, this common striving for the same goal, is of great importance to relationships of trust in the combine's work collectives; it has a profound influence on confidence in the party's policy on the part of the workers, members of the intelligentsia and all others who are active in the combine. Extension of the impact of these trusting relationships therefore deserves constant attention in the overall work of the combine and its management practices.

On Management of Scientific-Technical Work and Innovation Processes in the Combine

The central issue in developing the combines is the establishment of the most favorable conditions and prerequisites for intensifying the reproduction process of the national economy. The ultimate goal is to manufacture high-quality products with new utility features while at the same time employing highly productive, energy-efficient technologies that are economical in their use of raw materials, thus bringing in higher proceeds from exports and better satisfying domestic demand at lower cost. Given the limited resources situation and the economy's sizable foreign economic burdens, commensurate achievements in science and technology are the only way to achieve the necessary qualitative change in production -- this means supplying more high-grade industrial consumer goods, more highly processed products for export, while increasing labor productivity and using lesser amounts of energy and raw materials; it means cutting back on jobs through a corresponding push for rationalization and releasing manpower for other national economic tasks.

Taking on special significance in this regard is the question of how scientific-technical innovation processes can be better controlled in the combines and their enterprises. The exchange of experiences conducted by the SED Central Committee with the general directors and the Central Committee's party organizers in Gera's combines demonstrated very vividly that development of the technical-economic level of production in the combines depends decisively upon the degree of success in creating the necessary preconditions for this in the preparatory phase of the production process. A high level of effectiveness of scientific-technical progress in the combines requires challenging goals and objectives, the development of conditions favorable to initiative and creativity in the scientific-technical sectors and the establishment of prerequisites for the swift and comprehensive realization of scientific-technical results -- including the capable preparation and implementation of investment measures. As Guenter Mittag pointed out in his concluding remarks at Gera, the main concern is to improve the pervasiveness of science and technology in basic ways, beginning with basic research and going on to development, design and technology and beyond to production.

It is typical of the working and managerial style of the general directors of highly productive combines that science and technology are viewed as decisive effectiveness factors, with the entire combine management system uniformly and thoroughly oriented toward successful accomplishment of the tasks involved. They spend a large part of their managerial time on questions of which new top-quality products to introduce and which of the newest technologies to use. These combines assure the necessary information load for the future uniform scientific-technical development of the combine with scientific-technical forecasts, long-range product and product-group plans or technological plans, long-range research programs and long-range intensification or development plans. These planning and decisionmaking references make possible the following options:

The ability to make statements on the future peak scientific-technical level in fields that determine production and to take the necessary measures in this regard;

Use of results from concentrated basic research as a source for generating true innovations;

Preparation of complex innovation processes for the development of products, procedures and technologies which determine production and effectiveness;

Integration of innovation processes which determine effectiveness into the comprehensive development of the combine reproduction process, into its essential internal and external interdependencies;

Qualified preparation of the science and technology plan and the comprehensive combine plan for a lengthy period.

The essential information contained in these long-range planning and decisionmaking references constitute an important basis for putting together the handbook of responsibilities for science and technology. Painstaking work on these handbooks has proven to be a key aspect of taking the long view in terms of management in science and technology. A substantial portion of management work is dedicated above all to the careful determination of goals and tasks designed to achieve economically viable top-flight production results, measured by internationally valid quality parameters (such as high utility value, favorable volume/output ratio, reliability and good design), by production consumption, specific energy and materials consumption, saving of work time and jobs, reduction of prime costs and by the attractiveness and profitability of export possibilities.

The ideas for top results for products, procedures and technologies originate predominantly in the research and development collectives. It is consequently up to combine management to assure the conditions necessary to creative work in this area. The principal conditions are clear

statements of goals and responsibilities for the collective, the creation of challenging situations with the aid of high standards, motivation to achieve top results, development of an atmosphere of creative differences of opinion, delegation of responsibility and the assurance of a firm basis of trust between management cadre and those who work in research and development as well as assurance of their willingness and capacity to produce. It is essential for the scientific-technical cadre to be constantly aware that management requires and encourages good results, that it is always responsive to their problems and that good results are acknowledged appropriately.

Sociopsychological factors play a significant role for management in this sector. Of great importance to the collective's willingness and capacity to produce are the qualifications of directors and research institutions and their managerial subordinates -- qualifications as experts and specialists as well as leaders of collectives. Professional pride, a striving for national and international recognition and for high social regard for results, self-approval and experiences with success can be developed as essential work incentives. The work atmosphere is determined by managerial attitudes with reference to such factors as setting high standards for one's own performance, a willingness to take risks and a sense of responsibility, companionable relations between managers and coworkers and among researchers and developers themselves, as well as responsiveness to constructive criticism.

Starting from an appropriate statement of goals and responsibilities for scientific-technical work, success depends in large measure upon the combine's degree of success in properly developing its scientific-technical potential. Studies confirm that progressive combines are stepping up their efforts along the following lines in order to increase the effectiveness of their scientific-technical potential:

Further development or expansion of capacities in the area of basic research related to specific branches as a key point in raising the level of scientific-technical results. The attainment of top international results is based in many cases on findings taken from basic research. They are an important source of innovation processes, and above all they bring about revolutionary changes in the development of products, procedures and technologies. The combines must therefore succeed in establishing conditions that are as conducive as possible to a sizable information lead in basic research. This task must now be accomplished in close research cooperation on the part of the scientific institutions of the GDR Academy of Sciences, the universities and advanced schools as well as other central institutions. Combines in research-intensive branches have met with success in developing basic research within centralized combine facilities;

Purposeful intensification of technological work by further expanding the technological potential. International analyses make clear that maximum

economic use of scientific-technical results can be made today only by way of technological progress. The combine disposes over conditions that are far more conducive than those in the individual enterprises to a concentration of forces aimed at accomplishing the tasks of technological research. Prevailing in many combines is a centralization and intensification of technological research capacities within the purview of the combine management's director for rationalization and technology. An important experience consists in the development or expansion of technological centers. Their essential purpose is the coordinated research and development of specific technological areas through the appropriate specialization and concentration of forces in order to assure the scientific-technical lead and the material-technical conditions for a broad application of highly productive technological processes;

Expanded capacities in project-planning, machine-tool and model construction and testing. The continued increase in the economic effectiveness of scientific-technical progress, and especially its acceleration, depend decisively upon the establishment of larger capacities for the development or expansion of project-planning facilities, proving grounds, engineering facilities, pilot installations and design workshops. A more rapid transference of scientific-technical results into production unconditionally requires the continued expansion of the material base of the scientific-technical sector;

Continued development of the construction of rationalization means and a higher scientific-technical and economic level of rationalization means. Development of this type of construction has been above average in most combines in recent years. The use of special technological equipment manufactured here has been producing increasing economic results. The best ones have been achieved in combines in which complete production lines of a high technological level were developed and employed. It was revealed that effective use of a combine's own construction of rationalization means requires as a rule a corresponding increase in technological work, especially technological research.

One of the most important conclusions drawn from the experiences of highly productive combines in developing their scientific-technical potential is that the complexity and universality of innovation processes must be increased further, that there must be uniform management of scientific-technical work in the combines. This requires the following conditions in particular:

1. The starting point for management, planning and organization of the scientific-technical potential -- proceeding from a long-range, stable scientific-technical objective, from the uniform basic scientific-technical policy of the combine -- must be a revealing analysis which provides insight into status, effectiveness and conclusions for further development of the scientific-technical potential. All elements of scientific-technical potential must be covered, such as the development and assignment of

cadre and the level of research technology, the technical equipment used and laboratory, testing and measuring technology.

2. A key task still consists in improving the inner proportionality of the scientific-technical potential. This is true from a quantitative standpoint, or the strengthening of bottleneck sectors such as technology, project-planning, model construction and the construction of rationalization means; it is equally true from the qualitative standpoint, or improving the structure of the scientific-technical potential -- for example, by expanding the proportion of basic research, project-planning and interdisciplinary makeup of the collectives, or by making available modern research technology. A stronger inner proportionality and effectiveness of the scientific-technical potential also includes appropriate measures designed to intensify scientific-technical work; it requires an increase in the share of intellectual/creative processes and a reduction of routine work as well as measures aimed at improving the qualifications and further training of cadre within the research and development sector itself.

3. Now that recent years have seen the development in all combines of capacities for the construction of rationalization means, the special concern during the next stage must be to raise the scientific-technical level of in-house manufacture of these means while continuing to expand these capacities. The main ways of doing this are through intensified technological research, close collaboration between technology, design, construction of rationalization means and production and taking advantage of every possible chance for the efficient manufacture of rationalization means (use of purchased parts, cooperation among construction crews, the exchange of documents, catalogs of rationalization means, exchanges of experiences and others).

4. The structure of the management organization for the science and technology sector should be simple and manageable; in other words, numerous levels and large numbers of splintered departmental managements are to be avoided. Also necessary in this connection is uniform responsibility, for planning as well as carrying out scientific-technical tasks. Management of the scientific-technical phase preparatory to production should be continuous insofar as possible from research all the way to transference into production. This means that the inner logic of pre-production processes must be assured through a proper management organization which contains as few special departmental managements, or "sector boundaries," as possible.

On Improving Planning and Economic Accounting

In line with the responsibilities to be assumed by the central combine management, the improvement of combine planning is of decisive importance. This work follows three main directions:

Expansion of longer-term planning. The documentation (chiefly the combine's plan for intensification) catalogs the results of analytical and forecasting work with reference to scientific-technical development, market and demand development and the combine's own probable resources that can be used; the documents also coordinate combine strategy, particularly in the area of science and technology and for the marketing of products, with the development of all aspects of the combine's reproduction process;

Improvement of the analytical and normative bases of annual planning. This is an essential prerequisite for being able to use the state plan index figures to set requirements for combine enterprises as regards the development of productivity and effectiveness, requirements which are in line with actual productive capacity, and to work against a formal, undifferentiated breakdown of plan tasks. Together with an exact material and financial balancing of accounts on the means available within the combine for use in rationalizing production and increasing its effectiveness, this improvement is of decisive importance in being able to use the annual plan as an instrument of control over the combine enterprises by the combine management;

Standardisation of the combine's planning bases in terms of methodology and information science -- in the interest of uniform and reliable information on productive capacity and its actual use in all sectors of the combine, as well as in the interest of reducing administrative outlays, particularly through the efficient use of information systems and continued expansion of the information science base.

The combine's comprehensive plan, the consistent application of commodity/cash relations within the combine and meaningful internal economic and contractual regulations take into account the socialist state's requirements of the combines and their enterprises for production that satisfies demand, for export activity and for highly effective production.

An important finding is that the systematic structuring of the combine's uniform reproduction process is a lengthy socioeconomic process and one that requires independent long-range planning work by the combine in close cooperation with the central state organs. A great number of combines have been able to gain valuable experience in this kind of long-range planning work during preparations for five-year plan periods. Generalising from these experiences, it can be said that combine planning must be concentrated on the following priorities:

Principal directions of product and procedure development based on development of demand as well as scientific-technical findings and forecasts;

Development of the product structure and standardization;

Expansion of the division of labor and production specialization both within the combine and beyond the combine scale on the national and international levels; continuation of the concentration process;

Reproduction of capital with the aim of increasing its effectiveness; assurance of the realization of research and development results as well as projects involving the concentration and specialization of production;

Determination of the responsibilities of the individual combine enterprises within the uniform reproduction process and assurance of the resulting proportions in production distribution and resource distribution;

Working and living conditions for the working people, with the goal of using funds effectively, implementing a uniform wage policy that encourages productivity and bringing enterprises up to the same level while effecting an overall improvement in working and living conditions.

The effectiveness of combine planning depends not least upon the degree of success in properly structuring the interrelationships between planning and economic accounting within the combine. The basic task of the combine's central management in this regard is that of utilizing the categories of economic accounting, beginning right with the planning process, to work toward the most favorable cost/result ratios for the reproduction process of the combine as a whole as well as for each combine enterprise. Directly connected with this is the task of instituting in all combine enterprises tried and true methods of socialist industrial management, of in-house economic accounting, which point the collectives toward specific goals designed to reduce the use of resources, increase labor productivity, reduce prime costs and raise the quality of production (predetermination of manipulable costs, performance ledger, analysis of utility value versus costs, and other methods). A special concern in this regard is to pass on to all other combines the experiences of those which are doing good work.

Studies conducted in newly established combines reveal that industrial management problems are still taking a back seat to some extent with some combine managements. This is somewhat understandable because during the process of forming the combine, attention is frequently focused on matters like fulfilling the "Industrial Goods Production" plan index figure, drafting statements of longer-term goals in connection with structuring product assortments and the division of labor in the combine, assuring the necessary subcontractor products and setting up the combine management. This also explains why in matters of economic accounting a number of combine enterprises still operate largely as they did in their former subordinate relationship, and why the information system is organized predominantly in an "enterprise-oriented" manner -- in many cases the general directors receive working and decisionmaking reports that have not been brought up to the level required for submission to management. In other words, the combine enterprises have not yet been sufficiently integrated into the combine's economic accounting system. Considering that the basis for accounting, planning and influencing of costs still lies within the purview of the individual enterprise, and that, beginning with the plan itself, capital formation and application are totally controlled on the

basis of the systematic development of the combine as a whole, the central management of a combine -- particularly in the case of new combines -- will be charged with the following priority tasks in the area of economic accounting over the next few years:

Assurance that the entire combine disposes over an information system which is tied to economic accounting, especially for a qualitatively better analysis and assessment of productive capacity and the actual performance of individual sectors, combine enterprises and the combine as a whole;

Qualified control over cost work in the broadest sense -- predetermination of prime costs reduction, particularly in connection with goals and measures called for by the plan for science and technology; further development of socialist industrial management methods aimed at reducing prime costs; improvement of work with norms; cost estimates for projects contained in the science and technology plan, and other measures;

Improved work in the area of pricing, so that the combine may fully perform its state function;

Expansion of the main bookkeeper's control function within the combine.

The main thing is for every combine to take full advantage of economic accounting, with its measuring function and its own particular methods of high-quality socialist industrial management, to reduce prime costs and produce profits, thus contributing to the effectiveness of the reproduction process.

Inseparably linked with planning and economic accounting is the continued development of performance evaluations for combines and their enterprises. "With the aid of the plan and of economic accounting, the specified future basic directions to be followed in strengthening our material-technical base must be firmly tied in with the reproduction process of every combine and enterprise. The performance evaluation is accorded a decisive function here. That which is of benefit to the national economy must also be beneficial for the combines and enterprises. If, for instance, combines and enterprises manufacture more end products with fewer raw materials and materials and less energy, this fact ought to be reflected even more positively in their qualitative and quantitative index figures. Only then will attention actually be directed toward performances that are valuable to the national economy. And that is the main problem."²

Beginning on 1 March 1980, these demands will be met by basing the performance evaluation of combines and enterprises on the plan index figures for "Net Production" and "Basic Material Costs per M 100 of Goods Production" together with the figure for "Industrial Goods Production" and other qualitative index figures. The introduction of these three basic index figures into the performance evaluation -- with consideration of their inner relationships and specific statements -- illustrates more clearly

the combine or enterprise's own performance and contribution to a reduction of specific energy and materials consumption. They are associated with such qualitative index figures as the proportion of goods production bearing the "Q" quality label, the increase in labor productivity and other indispensable bases of management work and the socialist competition. Here the principle applies that the performance evaluation remains confined to a few index figures in the interest of clarity, comparability and manageability. This is essential to the orientation of party organizations, the development of initiative in enterprise collectives and conduct of the socialist competition.

Another issue is that the performance evaluation should be enlarged upon or substantiated in the combines through precise analyses of the development of performance. Otherwise a number of important and real economic processes and economic results are omitted from consideration. Relatively large numbers of index figures allow only limited conclusions as to the satisfaction of demand in terms of quality, quantity and assortment structure, the requisite schedules and time limits and the effective use of production resources. Needed are analyses of performance development which proceed from one basic question: How has the combine used its potential and its capacities during the plan period to satisfy national economic demand for products and services that are capable of competing on the world market in terms of utility features and costs, as well as to establish those preconditions which will assure the necessary increase in effectiveness during subsequent periods?

There are three important reasons for making accounting according to the plan the basis for a comprehensive assessment of performance:

1. The basic task of every combine consists in satisfying national economic demand with the most effective use of funds. Fulfilling index figures is only more or less a precise reflection of this. "It is necessary to approach the assessment of plan index figures in the communist manner and to analyse precisely the real reasons for their fulfillment or nonfulfillment. The party organisations should exert stricter control over the way in which the production plan has been fulfilled. Wherever this has been done at the cost of production which fails to satisfy demand or meet quality standards, appropriate conclusions should be drawn for assessing performances and steps taken to effect changes. Indeed, these are no longer solely matters of index figures and accounting, but of socially responsible behavior."

2. An objective standard of management in a socialist economy which is oriented toward the greatest national economic effectiveness can only be the international technical-economic level of production. Since the plan index figures and their fulfillment express this relationship only in a limited way, it is essential to analyse uncompromisingly the level that has actually been achieved, so that existing or developing arrears may be perceived; the goal of appropriate short- or long-term measures to be

initiated must in every case be that of making up these arrears in the interest of eliminating effectiveness losses.

3. Only the analysis of combine economic activity that goes beyond the accounting of individual plan index figures provides the opportunity to gain a real estimation of productive capacity and to draw appropriate consequences for making decisions in subsequent plan periods.

On the Organization of Combine Management

Gaining in importance for implementation of the plan is a management for the whole combine which is uniform and close to production; also increasingly important is the political training of managers at all levels so that they may be fully capable of discharging their responsibilities. A management organization which clearly delineates the tasks and responsibilities of managers, and which regulates cooperative efforts designed to carry out joint tasks, permits the combine management to assure in advance that the plan will be fulfilled, to make the necessary operational decisions quickly and to guarantee throughout the combine the coordinated actions that are required for fulfillment of the plan.

The combine is the unified basic form of large economic unit in industry and construction in the GDR. Since at the same time there are very different degrees of production socialization, influence of scientific-technical progress, marketing and supply conditions and internal cooperation within combines in the various industrial branches, different organizational solutions necessarily result for the tasks to be accomplished by the combine management. Depending on the specific reproduction conditions of the individual combine, three basic organizational types of central combine management have developed:

Combine management by the management body of the main enterprise in the combine;

Combine management by an independent combine management body;

Combine management (either through the main enterprise or independent combine management body) that includes the use of control enterprises.

As we know, in the case of combine management by the management body of the main enterprise, the latter body is at once responsible for the tasks of management and planning of the combine's reproduction process, and the general director of the combine is simultaneously the director of the main enterprise. This form of management has worked well mainly in cases where the main enterprise accounts for a significant portion of the combine's production, and where the main enterprise's reproductive strength, technical-economic level and scientific-technical potential are sufficient to guarantee the material conditions for developing the uniform reproduction process in the combine as a whole. Management by way of the main

enterprise entails relatively low management costs and administrative costs.

An independent central management of combines has developed chiefly where it was not possible to select a suitable main enterprise, or where the complexity of tasks and the structure of the combine (for instance, with the development and production of entire machinery systems) precludes management by the main enterprise. As a rule, these combine managements are also closely involved with the reproduction process and perform centralized or concentrated productive functions in addition to central management of the overall production process. The combine managements are charged with such tasks as basic responsibilities in research and development, the field of project-planning, materials procurement, production cooperation, marketing and especially exports and the construction of rationalization means.

The large economic unit development that was linked to the expansion or formation of combines led to the management of some combines with the aid of control enterprises. This is the case when the potential of several industrial branches has been brought together in one combine, when there is a higher degree of specialization according to finished products and a broad dispersal of production enterprises. The position, responsibility and working method of control enterprises are always to be established in such a way as to promote development of the self-contained reproduction process in the combine. The control enterprises do not represent a separate management level with a special apparatus; rather, their directors act as agents of the general director or are simultaneously deputy general directors. The control enterprises handle for the combine mainly such tasks as drafting and coordinating long-range plans for development of the control enterprise sector, drafting proposals for the long-range and annual plans and allocating plan index figures to enterprises of the sector, assuring implementation of the plan as well as implementing measures designed to increase the effectiveness of the reproduction process by rationalizing production.

The fact that about 30 percent of industry's combines depend upon control enterprises in their managerial work makes it plain that manageability is not so easily assured in the case of combines with a large number of autonomous enterprises. At the same time there is a growing trend toward combining several independent enterprises in a combine into a single, larger combine enterprise. There is no objection to this insofar as the requisite preconditions exist and when it is actually a matter of concentration on an economic basis. But at the same time, however, experience shows that all instances of formal enterprise consolidation lead not to increased effectiveness but to losses. Further concentration and specialization of production must in no case be viewed as an exclusive orientation on the formation of large-scale enterprises, even though the large enterprise is a characteristic feature of the combines. Legally independent and economically autonomous medium-sized and small enterprises play an important role

in satisfying specific needs or taking full advantage of certain production conditions in that they supplement large-scale production by supplying specific products or assortments, react more quickly to changing consumer demands and turn to economically effective account a limited supply of raw materials, secondary raw materials or by-products. Status as a legally independent and economically autonomous combine enterprise must not be made to depend primarily upon the absolute size of the enterprise; rather, it must be determined by factors such as its position in the combine's reproduction process, its role in the social division of labor and specialization system and its specific duties in the realm of satisfying demand. Consequently, the most appropriate solutions to the problem of economic organization also depend upon considerations like these.

Studies conducted in a sizeable number of new combines show that the majority of these combines have been able to surmount immediate initial difficulties with the new organization within a gratifyingly short time. In instances where this has not been the case, where the new combine has not yet gotten adequately into the swing of productive economic development, there are three main comprehensive areas in which the combine frequently also requires support from the state organs, since it is unable to solve these problems on its own:

1. In the correct selection and most appropriate assignment of management cadre. The task of assuring the personnel prerequisites for a qualified and effective combine management proves to be a particular problem wherever it was not possible to resort to an existing large enterprise as the main enterprise for the combine. Consequently, either a main enterprise had first to be newly formed (sometimes from several formerly independent enterprises) or an independent combine management had to be put together on the basis of former VVB's association of state enterprises and their facilities. In both cases the main problem consists in getting the new combine management and the cadre charged with performing management functions to orient their management work toward the proximity to production and development of the reproduction process of the entire combine that are characteristic of successful combines. This is important in the first instance because management cadre very often still view their problems exclusively from the angle of the main enterprise; secondly, it is important because it requires intensive training to make the transition from a style of management typical of VVB's to one that can meet the challenges of large economic units;

2. In the determination of long-range goals and the integration of the combine within the national economy. At the exchange of experiences organized by the SED Central Committee, general directors justifiably stressed the decisive importance for the achievement of uniform viewpoints, and for actions aimed at the combine as a whole, of clear planning conceptions and combine management discussions with the directors of combine enterprises concerning proposed longer-term national economic goals. If the combine management focuses unilaterally on operational management --

primarily with reference to plan fulfillment in industrial goods production -- this hinders development of the relatively self-contained reproduction process in the combine. There is a risk that the combine enterprises will pursue their "own strategies" and, consequently, that "centrifugal forces" will take over within the management body, forces which will not permit effective use of the advantages of the large economic unit;

3. In assuring technical-economic conditions, thus making it possible to accomplish the annual plan tasks as well as attain the long-range goals as outlined. These conditions are of course to be established mainly through the combine's own efforts, through the resolute use of its potential. But it must also not be overlooked that in some combines the very disparate condition of capital instruments (involving in some instances a high degree of equipment obsolescence), different social conditions and unsolved problems of material-technical supply pose problems for the combine management which it cannot solve on its own, for which the aid of central state management must be enlisted to create the proper national economic prerequisites.

On the Responsibility of Combines in the Foreign Economic Sphere

In recent years in particular, it has grown clear that foreign trade has become in the work of the combines a basic factor for economic growth, for the dynamics and stability of their development. All measures on the national economic scale in research, development and buildup of the material-technical base must be tied to the process of increasing effectiveness in foreign trade. A fundamental task of management and planning in the combines is the preparation and realization of challenging objectives designed to develop foreign economic relations, particularly exports.

The contribution of the combines in accomplishing tasks in the foreign economic sphere derives from their responsibility to satisfy as effectively as possible overall social demand in the GDR. In an economy which, like that of the GDR, is interwoven to a large degree with external markets, combines can live up to this responsibility only if their foreign economic activity is an inherent part of the uniform management and planning of reproduction in the combine. Combines bear great responsibility in the following areas in particular:

Measuring the level of products and production by international standards that are set objectively according to quality, international marketability, costs and sales;

Drafting sound proposals and options for development of the combine's production and marketing activity. They should be in the form of proposals for the central organs and at the same time constitute the combine's own head start on organizing production growth with the resources at hand.

Playing an essential role in this is the balancing function assigned by the state for the prescribed product nomenclature;

Exercising responsibility in working committees dealing with multilateral and bilateral cooperation by CMEA states;

Fixing state export and import targets in the combine plan and initiating all measures needed for fulfilling the plan;

Assuring highly effective sales and purchasing activity in close cooperation and interaction with the foreign trade enterprises.

Through development of the production, export and import structure which meets objective requirements, substantial reserves must be uncovered in order to assure the production growth in the national economy which is needed for supplying it with raw materials and fuels. In addition, a high rate of development is to be provided for in those combines which are in a position to earn large export surpluses with a declining national outlay per obtainable valuta unit. The mastery of modern technologies and the manufacture of high-quality products prove to be the most important prerequisites when the combines work to maintain and expand good economic positions on the world markets.

Experiences with efficiently operating combines confirm the principle that products of a high scientific-technical level also require "top-flight achievements" in marketing in order to be sold on external markets. This means that the combines and foreign trade enterprises must work together to establish all the necessary conditions for selling the goods at the best possible prices and the most advantageous conditions; this includes active market research, customer service, spare parts supply and the processing of complaints. Just as products of lesser quality and low scientific-technical level cannot lead to good economic results even with the best sales work, the best products cannot produce the expected economic effects with inadequate marketing. Thus it is necessary to set high standards for export activity -- just as for the scientific-technical level of products, technology and production engineering -- and also to orient marketing work toward the best international levels. It must be remembered here that export according to the various economic areas requires an increasingly long-range planning of preparations with reference to personnel, funds, methods and marketing channels in order to be able to attain the necessary, highly challenging economic goals. A crucial task is that of preparing the sale of products under the conditions of the various markets in such a timely manner that sales can be assured without delay, in the amounts required for economic production and at the predetermined prices. The responsibility of sales personnel for significant economic results extends not only as far as obtaining the highest possible prices by preparing thoroughly for price negotiations; it also involves a high level of foreign exchange profitability, since products that guarantee cost-favorable production are sold with large shares of the market. Only

then is a decisive contribution made toward reducing overall outlays for acquiring valuta units. This approach demands in the practical operations of the combines a clear political-ideological position aimed at the active preparation and implementation of marketing work, a position dictated chiefly by the premises of the economic results of reproduction.

The increasingly stiffer conditions of competition, joined by necessarily rising turnovers and the many levels of requirements of the different markets, as well as the accompanying outlays for marketing itself, are increasing the necessary financial concessions on the markets and raising circulation costs, thus increasingly affecting a combine's overall costs. It is for this reason that the efficient development of marketing activity according to international standards is of first-line importance in this area as well. Thus it is that the following conditions are just as important as in other phases of the reproduction process: complete records of expenditures and earnings; valid preliminary and final calculations; profit calculations, for instance in the case of investments for the marketing organization on individual markets; international comparisons of world level in preparing for and conducting marketing activity; and the selection of means and methods -- the technology of marketing.

Those combines which are able to adjust promptly to the demands of the market achieve good results in their export work. Therefore of great importance to a highly effective export operation is a production structure which can satisfy demand. Information regarding the market obtained from the consumer is indispensable. If inadequate consideration is given to market demand with reference to quantity, utility value and price, goods are produced which are not marketable. Emanating from the market, the realization phase, are important impulses for an advantageous structuring of the reproduction process.

The majority of the combines have been drawing from these associations important practical consequences for management as regards the proper integration of marketing and export activity into the overall economic activity of the combines; and from the work of marketing collectives together with the trade enterprises, important information on consumption, demand and the overall market situation is being channeled into the construction industry and production. This information must be taken into account in the process of developing the production program and in the planning work of the combines.

The responsibility for preparing and realizing effective and efficient foreign trade processes is borne by both the combines and the foreign trade enterprises. It rests objectively and independently on the particular subordinate position of the foreign trade enterprise. A requirement in every case is an efficient ordering of division of labor relationships, the specific form of which depends mainly upon the specifics of the goods and markets. Various forms of sales and purchasing activities have proven successful here.

In cases where there are numerous classification and completion functions to perform, it has proven advantageous for foreign trade enterprises subordinated to central offices to continue to be responsible for this task.

A foreign trade enterprise is assigned to large stable combines which post a large volume of exports and represent a self-contained assortment of products or services. This offers the opportunity to put potentials in research, development and production to effective use for sales work and to achieve greater complexity and flexibility in decisions on production and marketing. Similar factors constitute the criteria for subordinating foreign trade enterprises to industrial ministries. The point here is not an improvement of cooperation between production and foreign trade in the traditional sense but the uniform structuring of reproduction in terms of substance, including sales and purchasing activity on foreign markets.

A specific kind of increased participation by combines in performing export tasks is being developed in the form of in-house operations. Conditions conducive to this are being established on the basis of agreements to be concluded with the respective foreign trade enterprise, especially in combines of the chemical industry, light industry and besirk-managed and the food industry. The major factors here involve supplying an appropriate number of qualified personnel for marketing work, assuring material conditions and ordering in an effective way combine matters that have to do with economic organization.

The conduct of comprehensive competitions between combine and foreign trade enterprise serves to raise the level of common responsibility and common efforts by the competition partners toward accomplishing challenging export tasks; the social organizations provide the main support for the conduct of these competitions.

The following criteria must be common to all forms:

Strict observance of the supply and demand monopoly;

Guarantee of uniform procedure on the foreign markets on the part of all those involved in foreign trade;

Assurance of the uniform planning, control and accounting of exports and imports as well as observance of credit, customs and transport regulations.

In the case of all other aspects of shaping relations in the area of the division of labor within and between industry's economic units and the foreign trade enterprises, the main criterion is a significant increase in the effectiveness and efficiency of foreign trade activity as well as a shortening of the length of circulation processes.

FOOTNOTES

1. E. Honecker, "The Next Tasks of the Party in Continuing To Implement the Resolutions of the Ninth SED Party Congress," Dietz Publishing House, Berlin, 1980, p 42.
2. Ibid, p 41.
3. "SED Central Committee Report to the Ninth SED Party Congress," by E. Honecker, Dietz Publishing House, Berlin, 1976, p 87.

7458

CSO: 2300

TASKS, SPHERE OF AUTHORITY OF STATE PLANNING COMMISSION SET

Budapest **MAGYAR KOZLONY** in Hungarian No 51, 15 Jul 80, pp 728-730

[Decree No 1023/15 July 1980 of the Council of Ministers on the tasks of the State Planning Commission, its sphere of authority, and its operation]

[Text] 1. The State Planning Commission is a government body established by the Council of Ministers; the Council of Ministers is responsible for its activities and decisions.

2. The task of the State Planning Commission is the planned and proportional promotion of the economy, the organized coordination of central guidance, and an increase in the efficiency of national economic planning. This sphere of tasks extends to the preparation of central decisions related to the shaping of economic plans for varying periods of time and the state budget, to the development of an institutional order for economic management, to the analysis of economic processes, and to the making of decisions in spheres of authority delegated by the Council of Ministers according to the sphere of authority rules as defined below.

The chairman of the State Planning Commission--in close cooperation with the Economic Committee--attends to the continuous and reciprocal coordination of the activities of the State Planning Commission and the Economic Committee.

3. The State Planning Commission's sphere of authority extends to the following:

A) Prior to a submission to the Council of Ministers, it discusses and gives an opinion on:

- proposals regarding the economic plans,
- proposals regarding the state budget,
- proposals regarding credit policy guidelines,

--proposals regarding the undertaking of international obligations which require coordination with the main goals of the economic plans, and it controls their coordination with one another.

Moreover, it discusses and gives an opinion on:

--proposals for the development of the economic guidance system, including in particular:

--comprehensive proposals for the development of the economic planning system,

--concepts, analyses and proposals of general importance for the development of the economic regulatory system, or of decisive importance for the economy as a whole or for individual branches,

--proposals for the development of the economic guidance institutional system and the enterprise organizational system,

--proposals for the approval of a new central development program,

--periodic reports on the development of the economy.

B) a) For the preparation of economic development plans:

--it establishes the guidelines for the long-term, middle-term and annual economic planning workplan,

--it takes a position on certain, particularly important, procedural questions of economic planning,

--it takes a position on the more important comprehensive and practical concepts or development versions serving as the basis for working out the directions of economic planning work and plan proposals,

--it takes a position on proposals for the more important development of certain regulators, their coordination with the economic plans, or with the regulatory system as a whole,

--it follows attentively and controls the organization of planning work and the observance of the planning order.

b) It follows attentively and controls the carrying out of plans and central economic decisions from the viewpoint of realizing economic policy requirements. To this end, it regularly analyzes and evaluates the economic process in the plan period and the experiences in fulfilling the tasks included in the plans.

c) It makes decisions or takes positions on:

--the more important regulatory and other comprehensive government measures serving in the operation of the regulatory system and the fulfillment of the plan,

--development and investment proposals requiring a government decision,

--preferences and supports having an effect over the long term and significantly influencing the economic structure,

--the domestic conditions for undertaking international obligations requiring more important investments.

C) It makes decisions or takes positions in questions specially entrusted to it by the Council of Ministers.

4. The chairman of the State Planning Commission is the deputy premier of the Council of Ministers entrusted with this task. The members of the State Planning Commission are:

the chairman of the Economic Committee,
the chairman of the National Defense Committee,
the minister of foreign trade,
the minister of labor,
the minister of finance,
the planning office state secretary;

The permanently invited are:

the head of the MSZMP Central Committee Economic Political Department,
the chairman of the National Technical Development Committee,
the chairman of the Central Statistical Office,
the chairman of the Hungarian National Bank,
the chairman of the National Material and Price Office.

5. The State Planning Commission--in its sphere of authority--can pass resolutions; the ministers, the leaders of the national organs and other organs are required to carry out these resolutions. The chairman of the State Planning Commission is required to report at the next meeting of the Council of Ministers on the commission's session and its resolutions. The members of the Council of Ministers may make a representation to the Council of Ministers against the decision.

6. The State Planning Commission establishes its own order of business and work plan, which are approved by the Council of Ministers.

7. The operation of the State Planning Commission does not affect the sphere of authority and responsibility of the chairman of the National

Planning Office, or of the ministers and the leaders of the national organs as established in statutory provisions, thus particularly in the law regarding economic planning (decree of July 1972) and in the Council of Ministers decision (1046/22 December 1972) regarding its implementation.

8. The performance of secretarial tasks related to the operation of the State Planning Commission takes place within the framework of the National Planning Office organization; the tasks connected thereto are defined by the chairman of the State Planning Commission. It is the task of the National Planning Office to provide in its budget a cover for the publications necessary thereto.

9. This resolution is valid on the day of its proclamation; at the same time Council of Ministers' resolution 1002/18 January 1978 becomes invalid.

Gyorgy Lazar
Premier of the Council
of Ministers

6691

CSO: 2500

FUNCTIONS OF NEW ECONOMIC COMMITTEE HIGHLIGHTED IN RESOLUTION

Budapest **MAGYAR KOZLONY** in Hungarian No 51, 15 Jul 80 pp 730-731

[Decree No 1024/15 July 1980 of the Council of Ministers on establishing the Economic Committee]

[Text] 1. The Council of Ministers establishes an Economic Committee. The Economic Committee is a government body; the Council of Ministers is responsible for its activities and decisions.

2. The tasks of the Economic Committee are:

--the continuous state guidance necessary for carrying out the annual economic plan; within this, the making of decisions that serve to coordinate the activities of the individual economic guidance organs (ministries and national organs); in the course of carrying out the annual economic plan, assurance of the coordinated operation of the operative means for the regulators among one another, and the goals of the plan in its parts as well;

--the guidance of international economic relations, and the coordination of the domestic and foreign activities in this respect by the state organs.

The chairman of the Economic Committee--in close cooperation with the chairman of the State Planning Commission--attends to the continuous and reciprocal coordination of the activities of the Economic Committee and the State Planning Commission.

3. The Economic Committee's sphere of authority extends to the following:

A) Prior to a submission to the Council of Ministers, it discusses and gives an opinion on:

--a comprehensive evaluation of the operation of the product-sales order and proposals for its further development;

--proposals for defining the foreign trade policy guidelines;

--the Hungarian position represented at CEMA sessions.

8) To assure the realization of annual economic plans, it follows continuously and attentively the carrying out of economic decisions, and promotes the coordination of executing the interbranch tasks that are related to one another and are included in the plan.

Within the framework of the approved economic plan and the state budget, it makes decisions:

a) with operative market observance: on more important matters concerning product sales, stockpiling, and the population's commodity supply, and, furthermore, on the ordering of their effects, and on price and financial questions related thereto;

b) on the modification of the basic means (quotas and other prescriptions) for regulating product sales; on the introduction of new product-sales quotas or prescriptions during the plan period, their extent and conditions;

c) on the defining of organizational and cooperation tasks requiring the collaboration of various branch guiding organs;

d) on such operative measures as serve execution, which exceeds the sphere of authority of individual ministries and national organs, or in some cases it indicates the guiding organ (organs) entitled to make the decision;

e) on operative state measures which serve execution, in disputes which rise among the managers of the guiding organs.

C) With regard to international economic relations, and on the basis of economic political requirements and the economic plan, and in harmony therewith:

a) it follows attentively and analyzes our international economic relations, and in connection therewith it defines the tasks for carrying out the general guidelines;

b) it approves the Hungarian position to be represented at the CEMA Committee, it provides theoretical guidance for the activities of the Hungarian members of the CEMA permanent committees and for the national organs in the work related to CEMA;

c) it provides theoretical guidance for the bilateral economic and the related technical-scientific cooperation conducted with socialist countries;

d) it prepares proposals for the development of economic relations at upper-level international meetings;

e) it analyzes the existing economic relations with certain capitalist and developing countries and regions, defines in their directions the longer-term guidelines and takes a position in certain special branch or trade-relation matters; it assures that the economic and technical help granted to the developing countries should be in harmony with the guidelines;

f) it approves the Hungarian position to be represented in the UN organs dealing with economic problems, and in other international organizations of an economic nature.

D) It makes decisions or takes a position in questions specially assigned to it by the Council of Ministers.

4. The chairman of the Economic Committee is the deputy premier of the Council of Ministers entrusted with this task. The members of the Economic Committee are:

the minister of internal trade,
the minister of construction and urban development,
the minister of metallurgy and machine industry,
the minister of light industry,
the minister of transportation and urban affairs,
the minister of foreign trade,
the minister of agriculture and food,
the minister of heavy industry,
the state secretary for the foreign ministry,
the president of the Hungarian National Bank,
the chairman of the National Material and Price Office,
the state secretary for the ministry of finance,
the state secretary for the planning office;

The permanently invited:

the representatives of the appropriate departments of the MSZMP Central Committee,
the state secretary for the ministry of labor,
the secretary for the Science Policy Committee,
the head of the secretariat of International Economic Relations.

5. The Economic Committee--in the sphere of its authority and in the framework of the economic plan--can pass resolutions; the ministers, the leaders of the national organs, the authorities and other organs are required to carry out its decisions. The chairman of the Economic Committee is required to report at the next meeting of the Council of Ministers on the committee's session and its resolutions. The members of the Council of Ministers may make a representation to the Council of Ministers against the decisions.

6. The Economic Committee sets its own order of work and work plan, and these are approved by the Council of Ministers.

7. The operation of the Economic Committee does not affect the sphere of authority and responsibility of ministers or leaders of national organs as set by statutory provisions.

8. This resolution is valid on the day of its proclamation.

Gyorgy Lazar
Premier of the Council
of Ministers

6691

CSO: 2300

FINANCIAL INCENTIVES FOR UPPER ECHELONS IN DOMESTIC TRADE REGULATED

Budapest MAGYAR KOZLONY in Hungarian No 51, 15 Jul 80, pp 733-735

[Decree No 12/15 July 1980 of the minister domestic trade on the system of material incentive for workers in the upper echelons]

[Text] In agreement with the minister of labor, the interested ministers, the Trade Union of Commercial, Financial and Restaurant Workers and the National Council of Consumer Cooperatives, I order the following regarding the execution of certain provisions of Decree No 14/1 November 1979 of the Ministry of Labor (Hereinafter R) regarding the material incentive system for workers in the higher echelons of enterprises.

Article 1

The force of the decree extends to enterprises listed under the following sub-branch:

- a) agricultural products wholesale trade (512)
consumer items wholesale trade (514)
store retail trade (515) and
restaurant trade (517);
- b) enterprises and cooperatives in the sub-branch of miscellaneous trade activity (518);
- c) economic organizations (hereinafter: enterprise) listed under the sub-branch of service (519)* under the provisions of R.

* These numbers and the special branch classifications that appear in the appendix correspond to the unified branch classification system according to the orders in Decree No 3/22 November 1975 of the KSH [Central Statistical Office].

Article 2

- (1) The basis of the incentive task--with the exception in Article 3 paragraphs (2) and (3)--is the enterprise profitability defined in the R Appendix No 1.
- (2) The profitability index must be calculated according to the provisions in Appendix No 3 in Decree No 17/1 November 1979 of the Ministry of Finance.
- (3) In establishing the net means value according to Appendix No 3 in Decree No 17/1 November 1979, the rental fee for built-in real estate must be taken into account exclusively according to the various prescriptions.

Article 3

- (1) The controlling organ establishes the incentive multiplier--with the exception of paragraph (2) below--by taking into account the incentive multipliers defined by specialized branch in the appendix to this decree instead of the bonus multiplier prescribed in Section I of the R Appendix No 3.
- (2) The bonus of workers in the higher echelons in economic associations (hereinafter: association) under the central wage level regulation and appearing as a legal person--with the exception of higher echelon workers in associations established exclusively by producer cooperatives--is the average bonus without reduction or withdrawal by the managing organs establishing the association. In the calculation, the total bonuses in the subject year for the workers in the higher echelons in the managing organizations forming the associations must be calculated by taking into account the index obtained in this way and the annual basic wage paid out on their behalf.
- (3) The basis of the incentive tax for workers in the higher echelons of vegetable and fruit wholesale enterprises belonging under specialized branch 5,122 is the wage proportional profit index

$$\frac{\text{profit} \quad \times \quad 100}{\text{wage cost}}$$

In arriving at the index, we must take into account the profit which serves as the basis of the calculation (incentive) and the validity of the wage regulation. The incentive basis for higher echelon workers in the ZOLDKER [Trade Enterprise for Vegetables and Fruit Center] is the average wage-proportional profit index achieved by the member enterprises.

Article 4

In agreement with the minister of domestic trade, the control organization may also prescribe in exceptional cases an index according to the wage

regulation for the enterprises affected as a basis for the incentive task. In this case it is necessary to proceed in a manner defined in Sections II or III of R Appendix No 1.

Article 5

(1) In establishing the extent of the reward based on a comprehensive evaluation of the activities of the higher echelon workers, the following important points of view must be taken into account--appropriate to the sphere of the enterprise activity--in addition to the provisions of the R Appendix, No 2:

- the optimum extent of wage development,

- the realization of the enterprise price policy in accordance with the guidelines of commercial policy, and the observance of prescriptions in orders for consumer price formation,

- the realization of contractual discipline,

- the carrying out of orders* related to energy savings,

- the increase of trade and the improvement of the commodity supply partly by supplying sufficient consumer goods for meeting the needs of the entire population and partly by meeting the needs of certain categories (parents with children, low and medium earners, pensioners and young people),

- the increase in the ratio of alcohol-free beverages and of food available in restaurants; and in restaurants serving hot foods, a rise in the level of the range of foods and in the level of the service for low-income categories,

- an increase in convertible foreign exchange receipts in tourist enterprises,

- the supplementing of items permanently or seasonally in shortage, and the expansion of selection,

- an improvement in the composition of the inventories and the level of inventory management,

- a more successful carrying out of the processing tasks serving the expansion of organization, expertise, purchasing and local commodity bases in order to intensify the production on household and auxiliary farms,

* General order No 2/1979 on economic energy management (K. E. [TRADE BULLETIN] No 2, 1979.

--in small settlements the development of daily trade items.

(2) The decision is made by the managing council on the basis of the recommendation by the appropriate capital city or megye council chairman--and if a cooperative is also a member of the association it shares in the recommendation--regarding the rewarding of workers in the higher echelons. In cases of associations of national importance, the prior approval of the minister of domestic trade is necessary--and if a cooperative is also a member of the association, it participates in granting the approval in agreement with the national interest representation organ.

Article 6

This decree is valid on the day of its proclamation. Its orders must be applied beginning 1 January 1980. At the same time, Decree No 10/12 June 1976 of the Minister of Domestic Trade regarding the system of material incentive for workers in the higher echelons becomes invalid.

Dr Zoltan Juhar
State Secretary for the
Ministry of Domestic Trade

Appendix

to Decree No 12/15 July 1980 of the Ministry of Domestic Trade

Branch	Incentive Multiplier	
	Lower	Upper
	limit	
1. General extent	0.7	3.8
2. Varying from the general extent		
a) Retail food trade branch and the miscellaneous activity sub-branch	0.7	4.0
b) Restaurant sub-branch	1.3	5.5
c) Agricultural products wholesale sub-branch and loan enterprises and travel office branches	0.4	3.5

6691

CSO: 2500

FULFILLMENT OF THE NATIONAL SOCIOECONOMIC PLAN IN THE FIRST HALF OF 1980
REPORTED

Warsaw TRYBUNA LUDU in Polish 7 Aug 80 pp 2, 3

[Text] Social Development

At the end of June 1980 Poland's population reached 35.6 million and was 0.5 percent or 164,000 people more than at the end of 1979. The urban population was 20.8 million, and the rural population 14.8 million. The urban population thus made up 58.4 percent of the country's population.

In the first half of 1980 the average level of employment in the socialized sector of the economy was 11,966,000 people and was 34,000 or 0.3 percent more than in the first half of last year. Employment increased mostly in health protection and social welfare (by 16,000), schooling and education (13,000), and housing (10,000) and decreased in industry and construction.

In the first half of 1980 the number of vacancies continued to be well above that of people looking for jobs.

The population's monetary incomes from units of the socialized sector of the economy, including wages, social security benefits and incomes from the sale of agricultural produce, etc., reached 783.5 billion zlotys and were 9.8 percent higher than at the same period of 1979.

The lowest wages were increased in January 1980. The average net monthly nominal wage in the socialized sector of the economy increased by 9.9 percent compared with the first half of 1979.

In the first half of 1980 the cost of living for employees in the socialized sector was about 6.3 percent higher than in the first half of 1979.

At the end of June 1980, savings deposits in savings and cooperative banks stood at 476.5 billion zlotys and were 40.2 billion zlotys or 9.2 percent more than at the end of June 1979.

The average number of pensions paid in the first half of 1980 (excluding pensions for farmers) amounted to 4.057 million, which was 252,000 pensions or 6.6 percent more than in the first half of 1979. At the same time

overall expenditures on pensions came to 70 billion zlotys and were 9.7 billion zlotys more than in the first half of 1979, an increase of 16.2 percent. This increase came particularly from the mandatory rise of a total of 2.7 million pensions in January 1980, especially the rise, from 1 January 1980, of the minimum retirement pension from 1,625 zlotys to 1,800 zlotys, and the rising share of newly granted pensions in the total expenditures for pensions (which is due to the rising wages on which pensions are based).

The total value of pensions for private farmers reached 4.5 billion zlotys in the first half of 1980.

The socialized non-rural housing construction sector built a total of 52,800 flats with a total usable floor space area of 2,786,000 square meters. In terms of usable floor space area, this represented 28.8 percent of the annual target in the first half of 1980.

Spending from the state budget on social and cultural services (including schooling and education, culture and arts, social welfare, health protection, physical culture, sports, tourism and recreation) reached 94.7 billion zlotys and was 7.3 percent more than in the same period of 1979.

In 1979 pre-school services were provided for some 1.18 million children, which was 5 percent more than in the previous year. A total of 97.8 percent of all 6-year-olds were receiving pre-school education in 1979. In the 1979-80 school year, first grade of primary school admitted over 18,000 children more than in the previous school year of 1978-79.

The number of 1979-80 primary school graduates was 517,000 and was 3.7 percent less than in the previous school year. The number of graduates from primary schools for young people was 499,000, or 2.7 percent lower than the previous school year. General education secondary schools produced some 119,000 graduates, and vocational schools of all types, some 557,000 graduates.

The number of graduates of higher studies was about 51,000 and some 4,600 people completed extra courses receiving master degrees.

At the end of June, 1980, the number of physicians stood at 66,700, and the number of dentists, at 18,000, which was respectively 3.7 and 2.9 percent more than last year. There were 18.7 physicians and 5.1 dentists per 10,000 of the population.

At the end of June the number of hospital beds amounted to some 200,000 and was about 700 more than at the end of June last year. There were 56.2 hospital beds per 10,000 of the population. Social welfare homes had places for 60,200 people.

In the first half of 1980 a total of 2,965 titles of books and brochures was published with a total edition of 78.8 million copies, an increase of 9.5 percent compared to 1979. The overall circulation of papers reached 1,382 million copies, and periodicals, 408.7 million copies; they were higher, respectively by 4.2 percent and 5.7 percent than in the same period of 1979.

In spite of reduced newsprint supplies compared with the first half of last year, more newsprint was actually used for printing books, papers and magazines, because of the more rational management of newsprint resources.

At the end of the first half of 1980, the number of radio subscribers amounted to 8,594,000 and was 1 percent higher than in the same period of 1979, while the number of television subscribers, at 7,828,000, was 2.7 percent higher.

Domestic Trade and Services

The monetary incomes of the population that were decreased by obligatory payments, such as taxes, fees and repaid credits, for the first 6 months of 1980 were 736.2 billion zlotys and were 68.1 billion zlotys, i.e., 10.1 percent higher than in the same period of 1979.

Expenditures of the population for goods and services amounted to 667.5 billion zlotys and were 12.1 percent higher than in the first 6 months of 1979.

The retail sale of goods to the population and units of the socialized economy (excluding the sale by private business) amounted to 628 billion zlotys in the first 6 months of 1980 and compared to the same period of the last year was 11.1 percent higher per current prices. The sale of food articles increased by 10.8 percent, and non-food articles, by 11.4 percent.

Per comparable prices, retail sales grew by 5 percent--4.2 percent for articles other than foodstuffs and 5.9 percent for foodstuffs.

The sale of restaurants and catering business was 39 billion zlotys, i.e., 8.9 percent increase per current prices and 3.9 percent increase per comparable prices.

The demand for several articles on the market has not been satisfied.

The sale of services for the population in units of the socialized economy was 92.4 billion zlotys (in current prices) and compared to the same period last year has increased by 11.3 billion zlotys, i.e., by 14 percent.

Industry

The amount of sold production of the socialized industry at 1980 selling prices, in comparison to the first 6 months of 1979, grew by 7 percent. In the first 6 months of 1979 the increase in sales compared to the 1978 level was 0.7 percent.

In the machinery, electro-engineering, electronic, transport, precision-instruments, chemical, construction-material, glass, ceramics, timber, paper, textiles, clothing and leather industries, the increase in sold production was higher than the average.

The rate of fulfillment of the annual plan in the production of basic raw and other materials and fuels, including brown coal, natural gas, aluminium, lead, zinc, nitric fertilizers, synthetic rubber, plastics, lacquer products, wall segments, fiberboard and chipboard has been relatively low.

The low rate of plan fulfillment in the production of some basic raw and other materials and the necessity to reduce imports caused supply difficulties in certain industrial plants producing semi-finished products and final goods, especially in the chemical, electro-engineering and timber-paper industries.

Compared with the first 6 months of 1979, the power situation has improved. The number of power outages has dropped by 44.7 percent.

The sale of spare parts for the first 6 months of 1980 compared to the same period last year has increased by 6.9 percent in which spare parts for agricultural machinery and implements have increased by 9.2 percent and for cars, by 5.7 percent; the sale of spare parts for tractors however, remained unchanged. Growth in the production of a variety of goods was recorded, nonetheless the supply of some spare parts was not completely satisfactory.

Employment in the socialized industry in the first 6 months of 1980 was 4,758,000 people on the average but in the first 6 months of last year dropped by 5,100, i.e., by 0.1 percent.

The number of working hours lost (excluding vacation time) per capita both in industrial and development groups increased from 109.8 hours in the first 6 months of 1979 to 111.6 hours in the first 6 months of this year, i.e., by 1.6 percent. This was primarily the result of sick leave which increased from 76.7 hours in 1979 to 82.9 hours this year, i.e., by 8 percent and unjustified absences, from 2.3 to 2.6 hours, i.e., 6.1 percent increase.

Agriculture

The agricultural situation is being influenced by unfavourable atmospheric conditions. The spring growing season got off to a late start this year. It was also slowed down by cool temperatures and surface frost as well as the lack of rainfall in May. The later abundance of rain improved the growth of most plant crops, especially root crops, but had an adverse effect on hay-mowing conditions and cultivation. The abundant rainfall caused the flooding of cropland in many voivodships.

According to the preliminary data of the agricultural census for 1980, in comparison with that of last June, there is a 3-percent decrease in livestock, of which there is a 1.6-percent decrease in cows alone. The hog headcount increased by 0.4 percent; and there was also a 5-percent increase of sows and a 1.4-percent increase of young pigs. The sheep stock decreased by 0.5 percent in comparison with 1979.

In socialized agriculture, the livestock decreased by 1 percent, but the hog and sheep stocks increased by 3.7 percent and 2.8 percent respectively.

The total value of farm products (according to current prices) bought by the government from the nonsocialized sector of the agricultural economy was over 4 percent more than during the first half of last year. This is related to the increased procurement of certain products and also the increased milk procurement prices in February, 1980.

The value of agricultural equipment (excluding agricultural vehicles) deliveries was less, by 0.8 percent, than the value of deliveries in the first half of 1979.

The number of tractors delivered to the agricultural sector in the first half of 1980 was 29,700. The total number of tractors in the entire agricultural sector, according to the estimate at the end of June 1980, was approximately 598,000 and was more than 4 percent more than at the end of December 1979.

The amount of chemical fertilizers (in pure form) used for crops in 1980 was 0.9 percent more than that for crops in 1979.

The deliveries of certified seed of the four grains to the agricultural sector for renewing the sowable material for crops in 1980 amounted to 565,000 tons and was 3.5 percent more than the deliveries in 1979. The deliveries of seed potatoes for crops in 1980 were approximately 1.8 percent more than that in 1979.

The sale of protein fodder amounted to about 8.4 million tons during 1979-80 marketing year. This means it decreased by 379,000 tons from last year, i.e., by more than 4 percent. One million tons of the fodder was high-protein concentrate, which in comparison with that of last year was about 144,000 tons more.

Investments and Construction

According to the initial data, the investment outlays in the socialized economy, in the first half of 1980 amounted to 225.6 billion zlotys; this means that 41.7 percent of the yearly tasks of the national socioeconomic plan was carried out.

The national socioeconomic plan for 1980 envisaged an 8.3-percent decrease of investment outlays in comparison with that of 1979. This target was fulfilled.

In comparison with the first half of 1979, the investment outlays decreased by 1.2 percent, and with the first half of 1978, by 15 percent.

Of the total amount of the investment outlays, 117 billion zlotys are for construction and assembly, and 100 billion zlotys, 36.5 percent of which are foreign purchases, are for the purchase of machinery and equipment.

In the first half of 1980, six tasks of particular importance to the national economy were carried out, namely:

No 2 power unit at the Polaniec Power Station;

production capacity of 430,000 tons of plates yearly in the plate rolling mill of the B. Bierut Steel Mill in Czesochowa;

"Olefiny II" plant of the Mazovian Refinery and Petrochemical Plants at Plock;

heat and power generating plant at the Nitrogen Plants at Wloclawek;

No 7 boiler at the heat and power generating plant of the Mazovian Refinery and Petrochemical Plants at Plock;

container transloading terminal on the Hel wharf in Gdynia (ahead of time; the planned deadline was September 1980).

a number of tasks, including those particularly important to the national economy were not carried out in the plan for the first half of 1980. They were, among others:

second stage of the development of the "BIMET-PZL" Slide-Bearings Factory in Gdansk;

chlorine and soda lye plant for the Nitrogen Plants at Wloclawek;

water and sewage disposal facilities for the Pulp and Paper Mill at Kwidzyn;

city hospital for the Warsaw district of Brodno.

The large commitment and freeze on investment outlays is still being relatively maintained.

During the first half of 1980, the socialized construction and assembling enterprises carried out their basic production valued at 167.7 billion zlotys. The rate of fulfillment of the planned tasks reached 49.1 percent, whereas in the same period of 1978 it reached 47.4 percent, and in 1979, 45 percent of the tasks included in the plan.

Average employment in the socialized construction and assembling enterprises amounted to 1,035,000 people in the first half of this year and was 20,800 people less (by a percent) than in the same period of 1979.

Payments from the personnel wage fund rose by 7.6 percent in the first half of the year and considerably exceeded the level of increase envisaged in the national socioeconomic plan for 1980 (by 1.1 percent); they were also 2.4 percent more than the production and services level achieved.

Transport and Communication

Transport service tasks in the first half of 1980 were performed under much more favourable atmospheric conditions than that in the first half of 1979.

The socialized transport enterprises delivered about 861.8 million tons of cargo, i.e., 11.9 percent more than in 1979 and 7.6 percent more than in 1978. Transport of passengers by socialized public transport service totaled 1,775.6 million passengers and was 5.7 percent greater than in the first half of 1979 and 1 percent more than in 1978.

The rate of fulfillment of the national socioeconomic plan with respect to cargo and passengers is 50 percent and 50.1 percent respectively.

The Polish National Railroad transported approximately 248.7 million tons of freight during the first half of 1980, i.e., 9.7 percent more than in 1979 and 1.5 percent more than in 1978.

During the first half of this year, the standard-gauge railroads transported 9.2 million tons more hard coal from the mines in the Katowice Voivodship than during the first half of last year. As a result, the stored supplies of hard coal near the mines have decreased by 4.5 million tons since the end of June 1979, and by 3.1 million tons since the end of 1979.

The railroads also carried more cargo than in the first half of 1979, among other things, natural aggregate (1.7 million tons more), cement (0.4 million tons more), chemical fertilizers (0.7 million tons more), timber and its products (1.2 million tons more).

However, there are also more broken down freight cars. On the average, there were 36,200 broken-down cars each day in the first half of this year, that is 9,400 (35.2 percent) more broken-down cars than in the first half of 1979 and 12,200 (50.7 percent) more than in the first half of 1978. Units of the ministries of metallurgy, construction and building materials industry and chemical industry have most of the cars which are being damaged.

In the first 6 months of 1980 the Polish State Railroad transported 549 million passengers, i.e., 2 percent more than in the first 6 months of 1979 but 2.4 percent less than in the first 6 months of 1978.

Freight transportation by means of public and industrial-subbranch motor transport amounted to 559.7 million tons in the first 6 months of this year and was 12.5 percent higher than in the same period of last year. Over 1,221.4 million passengers took advantage of public motor transport, i.e., 7.5 percent more than in the first 6 months of 1979.

Inland waterway navigation companies transported about 11 million tons of cargo, i.e., 28.3 percent more than in the first 6 months of 1979.

Over 22.2 million tons of cargo was transported by sea, i.e., 25.4 percent more than in the first 6 months of 1979.

The total tonnage of the merchant fleet sailing under the Polish flag was 4,547,700 DWT (the figure of 30 June 1980) and was 1 percent higher than that at the end of 1979.

Seaports transhipped 36 million tons of cargo, i.e., 17 percent more than during the first 6 months of 1979. The rate of fulfillment of the annual tasks of the national socioeconomic plan regarding transshipments was 51.7 percent (last year it was 44.5 percent).

Compared with the first 6 months of 1979, the total value of services, communications increased by 9.5 percent. The number of telephone subscribers on 30 June 1980, exceeded 1,900,500 and was 49,000 more than at the end of 1979.

Foreign Trade

In the first half of 1980 foreign-trade goods turnover at current prices was 15.6 percent more than in the first half of 1979.

Trade with socialist countries rose by 6 percent and with the CEMA countries alone, by 5.9 percent. Exports went up by 1.1 percent, and imports, by 11.6 percent.

The value of trade with capitalist countries in the first half of 1980 increased by 29.8 percent. At the same time, there was an improvement in the ratio between the growth rate of exports and imports; this means an improvement in Poland's balance of trade with this group of countries. Exports increased by 18.8 percent, while imports increased by 22.1 percent.

Considerable shifts were observed in the commodity structure of exports: a reduction in the share of foodstuffs and farm produce, and an increase in the share of fuels and energy, metallurgical products and chemicals.

The electro-engineering industry exports (excluding exports of the construction industry) climbed 17 percent to boost their share in the total exports to 40.9 percent, compared with 41.6 percent in the first half of 1980.

In the commodity structure of imports there was a large rise in the share of fuels and farm produce and a simultaneous reduction in the share of products of the electro-engineering, metallurgical, light and food industries.

The following major indicators illustrate the development of the national economy in the first 6 months of 1980:

<u>Itemization</u>	<u>Indicator for first 6 months of 1979 equals 100^a</u>
Sold production in socialized industry	107
Basic production of socialized construction- assembly enterprises	103.6
Freight transport service provided by socialized transportation enterprises	111.9
Passenger transport service in the socialized transportation system	105.7
Procurement of agricultural products ^b	104
Retail sale of goods ^b	111.1
Foreign trade turnover ^b	115.6
with socialist countries	106
with capitalist countries	129.8
Investment outlays in the socialized economy	98.8
Employment in the socialized economy (excluding apprentices)	100.3
Sold production per employee in socialized industry	107.1
Production and services per employee in socialized construction-assembly enterprises	107.4
Net wage fund	110
Floor space of dwellings built in the socialized economy for the non-agricultural population	73.7

a) The unusual course of fulfillment of the tasks in the first 6 months of 1979 must be considered in the evaluation of the growth rate indicators

b) At current prices

Deliveries of certain commodities for supplying the market in the first 6 months of 1980 include the following:

First 6 months 1980

<u>Commodity</u>	<u>Unit of measure</u>	<u>Fulfillment</u>	<u>Indicator for first 6 months 1979 equals 100</u>
Meat, poultry, variety meats, meat products	thousand tons	1,003.9	102.7
Fish, fish products	" "	126.6	111.6
Total edible fats,	" "	280.1	102
including butter	" "	114.6	102.2
Consumer milk	million liters	1,194.9	102.1
Cheese, cottage cheese	thousand tons	136.3	110.9
Eggs	millions	1,095	107.9
Sugar	thousand tons	471.3	94.7
Unflavored and flavored vodka rated at 100 percent alcohol	million liters	91.8	109.8
Fabric: cotton and cotton-like	million meters	111	113.5
silk and silk-like	" "	35.7	107.7
wool and wool-like	" "	30.2	103.5
Knitwear	billion zlotys ^a	21.5	115
Hosiery	" "	5.6	112
Clothing from fabric	" "	32.5	112.8
Leather, plastic and synthetic footwear	million pairs	36.4	109.6
Furniture	billion zlotys ^a	21.1	119.5
Household refrigerators	thousands	369.6	77.7
Household electric washers and dryers	"	419	103
including automatic units	"	181.7	114.5
Household sewing machines	"	117.2	95.8
Enamel kitchenware	million units	25.4	106.1
Aluminum kitchenware	" "	5.6	100.4
Porcelain tableware	million zlotys ^a	1,885	148.3
Table glassware	" "	1,937	109.9
Receiver sets: radio	thousands	1,103.5	101.5
television	"	528.2	109.8
including color sets	"	110.4	151.2
Magnetic tape recorders	"	329.5	93.7
including stereophonic sets	"	52.1	84.7
Combined radio-tape recorder sets	"	160.6	156.1
Passenger cars	"	92.4	78.4
Bicycles	"	682.7	94.3
Powder and granule laundry soap	thousand tons	89.6	113.2
Foilet and special soap	" "	30.8	125

a) At current retail prices

Production of major industrial products includes the following:

First 6 months 1980

<u>Products</u>	<u>Unit of measure</u>	<u>Fulfillment</u>	<u>Indicator for first 6 months 1979 equals 100</u>
Hard coal	million tons	103.9	102.6
Petroleum products	" "	8.5	106.1
Electric power	billion kilowatt hours	61.9	105.5
Natural steel	million tons	10	106.2
Rolled products (including semi-finished products)	" "	7	105
Electrolytic copper	thousand tons	183.6	116
Anti-friction bearings	millions	68.1	107.1
Metal-cutting machine tools	million slotys ^a	3,858	97.1
Electric rotary machines	" "	4,887	100.9
Automatic control systems	" "	5,602	106.2
Semiconductor elements	millions	132.3	110.8
Computer systems and electric computer computation equipment	million slotys ^a	6,546	113.3
Agricultural machinery and implements	" "	9.2	112.5
Vehicles: passenger cars	thousands	190.7	107.8
trucks	"	25.7	104.8
Buses	"	6.9	91.1
Two-axle agricultural tractors	"	30.2	114.5
	thousand horse-power	1,423	115.9
Merchant ships (exceeding 100 DWT)	thousand DWT	205.1	105
Receiver sets: radio	thousands	1,359	106.3
including stereo- phonic sets	"	108.3	94.7
television	"	491	114.4
including color sets	"	75.6	218.3
Magnetic tape recorders	"	434.7	107.8
Household electric washers and dryers	"	412.2	107.4
including automatic units	"	183.6	121.3
Household refrigerators	"	374.1	92.3
Household sewing machines	"	211	118.7
Fertilizer in pure nitrogen, phosphorous and potassium form	thousand tons	1,169	99.4
Plastics	" "	278.1	131.8
Synthetic rubber	" "	60.7	98.8
Chemical fibers	" "	131.7	114
including synthetic fibers	" "	85.4	113.3
Pharmaceutical products	billion slotys ^a	9.7	116.3

a) Comparable prices

[table continued on following page]

(Table continued)

Products	Unit of measure	First 6 months 1980	
		<u>Fulfillment</u>	<u>Indicator for first 6 months 1979 equals 100</u>
Cement	million tons	10.2	111.5
Wall elements (per fully baked brick)	billions	5.8	115.1
Furniture	billion slotyn ^a	19.7	115.4
Paper	thousand tons	529.1	112
Fabric: cotton and cotton-like	million meters	454.7	102.7
wool and wool-like	" "	63.1	103
silk and silk-like	" "	84.1	104.7
Knitwear	billion slotyn ^a	10.9	104.3
Fabric-like knitwear	million meters	64.3	104.5
Footwear (excluding rubber footwear)	million pairs	74.9	105.6
Commercial fodder mixtures	thousand tons	5,210	113.7

a) Comparable prices

Procurement of major animal-derived products in the first 6 months of 1980 includes the following:

Itemization	Unit of measure	First 6 months 1980	
		<u>Fulfillment</u>	<u>Indicator for first 6 months 1979 equals 100</u>
Slaughter animals in terms of meat	thousand tons	1,336.7	97.3
including:			
beef	" "	340.9	96.9
pork	" "	792.4	96.1
poultry	" "	162.2	109.9
Milk	million liters	4,907.9	108.6
Eggs	millions	2,168.9	102.4

CSO: 2400

NEED TO FACE UP TO ECONOMIC DIFFICULTIES NOTED

Warsaw POLITYKA in Polish No 26, 28 Jun 80 pp 1, 4

[Article by Tomasz Chocinski: "Face the Difficulties"; for related information see JPRS 76182, No 2031 of this series, 7 August 1980, pp 73-81]

[Text] Two questions define the socio-political atmosphere of Poland during the first half of the last year of the decade. The first is: Why is there no lessening of the tensions and difficulties experienced by all for a long time now--despite the declared and undertaken countermeasures? What is more, in some respects these difficulties are increasingly serious and bothersome. The other question is short: What should be done? It also is spelled out as follows: What are the chances that the countermeasures will prove to be effective and result in eliminating the tensions and difficulties and improving the general economic situation?

My observations and experience indicate that the first of these questions is formulated more broadly. This is natural. Essentially, not all the people in Poland have a clear picture of the situation, or understand the specific, autonomous propelling mechanism of the difficulties.

I believe, however, that at present an answer to the second question--what is to be done?--is more urgent. First of all, we must halt the spiraling tensions, which demand extremely energetic emergency measures and, let us be blunt, paying a hefty price. We must resolutely and immediately face up to the difficulties, because any delays will only result in enlarging the scope of tensions and, hence, increasing the effort and resources needed to overcome them. Although this may seem unclear and even arcane, such is essentially the dialectics of the current situation in the national economy and its relation to the world.

I am thus presenting here a positivist point of view: first of all, let us act at once and, after we proceed, let us calmly and without emotionalism analyze and consider the conditions for preventing a recurrence of this accumulation of problems.

So then, finally, what should be done immediately? Certain elements of a program for emergency measures already have appeared in the last few months, in the activities of the new government appointed by the Sjem in early April. A broader scope of these measures has been presented last Monday at the 2-day meeting of the Sjem closing the spring session.

The entire analysis conducted in the Sjem, which has already been presented in fragments by the nation's leadership, reveals clearly and indisputably that the principal stress in the economic policy for the current year and for at least 2 years following must be placed on the nation's balance of payments or, in practice, on our financial and material obligations abroad. This should dominate all economic policy measures, and this should be taken into account in everyday life and permeate the attitudes and behavior of clients, consumers, all of us.

Two factors have complicated the question of the balance of payments--I have discussed both of them several times in this newspaper--among other things, in the comments on the Eighth Congress and the first session of the Sjem. These factors also appear in the entire press and in numerous comments, such as the recent interview with Minister Ryszard Karski.

The first factor is the persistent export ineptitude of the Polish economy, which causes a rise in the overall deficit in the balance of trade and payments. Let me recall here that, as I wrote 2 months ago, the total surplus of imports over exports in turnover with the nonsocialist countries during the 1972-1978 period amounted to \$13.2 billion. According to the 1976-1980 Five-Year Plan drafted by the Seventh Congress and ratified by the Sjem in 1976, beginning in 1979 we were to achieve a surplus of exports over imports--about \$700 million in 1979, and as much as more than US \$2 billion by 1980. This would have made it possible to start the 1980's with a lower indebtedness which, given realistically assessed export potential, would have meant neither major tensions, nor difficulties with respect to the world economy.

Unfortunately, in reality, we ended 1979 not with an exports surplus, but with an imports surplus of as much as \$1.5 billion (as before this refers to turnover with the nonsocialist countries). Let me add here that toward the end of 1979, as the plan for 1980 was being ratified, it had been expected that this deficit would be much lower, and that was a major premise for economic development in 1980.

It might seem at first glance that, given the scale of the overall deficit, in the balance of payments for the 1972-1978 period, another billion dollars would be of no major importance and would not influence the situation. Perhaps this might have been true had it not been for the appearance of a second factor at the end of 1979 and in the beginning of 1980--the unprecedented spiraling of interest rates on loans. Barely a few weeks ago the so-called LIBOR or prime interest rate charged at the European credit market was 20 percent per annum, and U.S. banks even demanded 21 percent. It was expected that obtaining any credit in 1980 at an interest of less than 20 percent

would be like winning the lottery. True enough, in recent weeks interest rates have dropped markedly, but they are still high, and at any moment they may go back to the ceiling of 20 percent and more.

But, it might be commented, the new interest rates concern newly acquired loans and procurements, whereas our obligations date back to the 1970's when the normal interest rate did not exceed 6-8 percent. Why then is the present rise in interest rates so troublesome to us?

The answer is simple. Starting last year we entered the period of maximum repayments of loans obtained during the 1972-1978 period. And since in practice exports are the sole source of the influx of foreign currencies to the state treasury, the current economic situation is such that the principal part of the current revenues from exports has to be allocated for repayment of loans and interest. On the other hand, the functioning of the Polish economy is dependent on imports--for which no funds are available. Hence a large part of import purchases has to be based on new loans.

And now let us consider, let us calculate. Say, this year we must buy \$5 billion on credit at an annual interest rate of 20 percent. Thus, just to pay the interest we would have to deduct \$1 billion from our national income next year. Let us calculate the expenses on the public scale, just as we calculate our personal expenses every day: Should we agree to pay such a price, or is it necessary to explore every possibility of avoiding these expenses, that billion--for which, let us add, we gain nothing in return?

In my opinion, the answer to this question is absolutely clear. But we should from the outset be fully aware of its consequences. They are obvious if we consider what can and should be done in practice to avoid new expenses. This has been clearly formulated by the Sejm in its resolution accepting the government's proposals for changes in this year's plan: Imports must be reduced and exports increased. Allowing for the actual possibilities, it was decided that imports would be reduced by 2.7 billion foreign exchange zlotys less than planned, that is, by more than \$800 million, and exports would be increased by 1.3 billion foreign exchange zlotys, or \$400 million. Then the originally planned surplus of imports over exports, amounting to roughly \$400 million, would be replaced by a surplus of exports of about \$800 million. If this plan is implemented, we have a chance that toward the end of 1980 the nation's total indebtedness would not increase. Just that, nothing more....

Actually these changes may seem very little. After all, this concerns an increase of a little less than 1 percent in exports (to be exact, 0.8 percent) and a reduction of a little less than 2 percent in imports (to be exact, 1.7 percent). In reality, this task is incredibly difficult and requires considerable effort on the part of the economy and the people. A reduction in imports, particularly in view of the persistent trends toward price rises on the world market, is bound to result in additional and sizable problems for the entire economy, which will then receive smaller quantities of raw and other materials, machinery, and equipment. In view of

this, the Sjem resolved to reduce the economic targets for this year. Industry is to increase output (compared with last year) not by 3-4.2 percent but by 2-3 percent, and the volume of construction will be lower than originally planned. Thus economic targets are made more realistic and adjusted to objective possibilities.

But this reduced--as compared with the original plan--output must be used to increase exports, and that is a problem which will directly affect not only the economy, but also consumers. Realistically speaking, the extra commodities for export must to a large extent be taken from the share originally allocated for consumer needs. I repeat once more: In my opinion, this has to be accepted. We have to reconcile ourselves to this necessity--anyone who is unconvinced by the above arguments should consider the long-term consequences....

It is important that this primacy of exports over the domestic market should affect ~~industries~~ the least--chiefly because food needs are under special protection of the economic policy (just like public health, education, social services, etc.). This consolation is somewhat ambiguous considering that the overall situation of the food market is still extremely difficult and tense. But it is good to be aware that, in principle, exports will not aggravate these difficulties.

In theory, we (here I mean we--citizens, the public--because this concerns chiefly the sphere of attitudes and behavior) have two means of averting adverse consequences to the living standards. I personally believe that the possibility of relinquishing an increase in wages and income is better, since this would also afford a better chance to counter the rise in prices and cost of living. The less preferable solution would be another increase in wages and nominal incomes (both total and average) which, under the present conditions, must result in price rises and lower availability of goods.

The first solution would, on the one hand, require a wage and income freeze, along with suspension of any wage and income increases for any reason whatever. On the other hand, it would require at least a hiring freeze or, better yet, a reduction in current employment with transfers of surplus manpower to service and other positions paid for directly by consumers. Certain aspects of this program are discussed by Marta Wesolowska elsewhere in this newspaper.

But here we already are touching on another topic--the general concepts and undertakings of economic and socio-economic policy which in the 1980's should create a new situation, a new economic system assuring streamlining of the economy and reducing the possibilities for getting bogged down in excessive troubles, tensions, and difficulties (this formulation may seem a bit odd, but I am using it deliberately to show that there is no ideal economic system assuring the elimination of all difficulties and problems.

Let us now consider again for a moment the current emergency, though from a somewhat different aspect. Every measure should be taken to assuage the conflict between exports and market needs in the near future. I believe that the first step in this direction should be an honest and resolute re-appraisal of the investment front. After all, basically, it is the investment front that is most responsible for compounding the balance of payments problems and forcing economic policy to take painful measures. The Ferguson-Ursus factory was supposed to start profitable operation as long ago as last September (partially, of course). As is known, to this day it has not earned one penny. But payments have to be made. The soda factory in Matwy was supposed to become self-supporting about 1 year ago. So far it has not earned one pfennig. But payments have to be made. The situation at Polie, where a large urea factory is to start operating next year, is alarming.

Hence both now and in the coming years, streamlining the investment policy so that industry can rapidly increase its export potential is a matter of supreme importance. It is a fact that we can already point out quite a few positive examples of a rapid expansion of export potential. Such examples can be found in the motor vehicle industry, in electronics, and in certain other branches. Unfortunately, they are still too few.

Lastly, one more comment, of a different nature. This year's plan contains appropriate authorizations for the government and, formally speaking, the changes proposed by the government are within these authorizations. It is good, though, that the government decided not to avail itself of that delegation of powers and instead turned to the Sjem for the promulgation of the revisions. This enhances both the standing of the plan itself, and the prestige of the Sjem as regards decisionmaking concerning not only general directions of socioeconomic policy, but also concrete and practical tasks.

1386

CSO: 2600

SHIPOWNER FINANCING-CREDIT SYSTEM DESCRIBED

Warsaw BANK I KREDYT in Polish No 5, May 80 pp 146-151

[Article by Wojciech Prokop: "Credit Systems for Polish Shipowners"]

[Text] Maritime transport enterprises are bound by Council of Ministers Resolution No 40 of 27 February 1976 (on basic principles of the economic-financial system for the maritime transport service) and Directive No 160, dated 30 November 1976, of the Ministry of Finance and Ministry of Foreign Trade and Maritime Economy (on detailed regulations for financial administration and rules and procedures for clearing of accounts in the budget of a maritime transport service enterprise).

Together with the introduction--on the basis of the economic-financial system that is obligatory for Polish shipowners--of the rule for the obligatory use by maritime transport enterprises of bank operating credit and, simultaneously, of blocking a part of an enterprise's assets for a special noninterest bank account, the legislator did not state precisely what amount of an enterprise's own funds in circulation and the amount of an enterprise's regular accounts payable will be used to finance its working capital. Unfortunately, this distribution also was not considered in the agreements signed by the shipowner enterprises and the branch banks (according to Art. 5, Instruction A-8) which formulate the basic problems whose regulation are essential in order to properly finance the operating activities of a given economic organizational unit or its groups. It was only specified--in accordance, incidentally, with the basic act--that 40 percent of a shipowner's working capital is financed by bank credit. As a consequence, in the practical functioning of a credit system, various types of inaccuracies appeared based, among other things, on:

a) The growing trend by shipowner enterprises to reduce their credit needs when branch banks review their annual credit applications. This results from the fact that the amount of credit, and thus the amount of interest and commission, that encumber an enterprise's prime costs is determined exclusively by the amount of working capital accredited in the credit application (40 percent).

b) The almost complete lack of shipowner interest in supplementing their own funds in circulation with writeoffs from planned (standard) profits. Inasmuch as it has not been established how much of an enterprise's own liabilities and funds in circulation will be included in financing a shipowner's working capital, a debtor correctly surmises that the relative percentages of these two sources used to finance his credit needs remain under his control, and, as a result of this, allocating a portion of the profit--as anticipated by the system--to supplement his own funds in circulation not only is not obligatory, but notably optional. However, this is understandable from the viewpoint that committing part of the standard profit to finance working capital does not reduce operating credit, but merely diminishes resources designated for the investment fund. Also, designating part of a shipowner's standard profit to increase his own funds in circulation merely increases the shipowner's resources blocked in the special noninterest bank account. Under these conditions the recommendation of Official Instruction A-8--in the part treating the allocation by a branch bank of operating credit and indicating the necessity of verifying by analysis that the annual credit application of the status of an enterprise's own funds in circulation achieve at least the required minimum (Art. 74, point 4)--is useless relative to shipowner enterprises.

c) A specific type of "rearrangement" of assets and liabilities in the annual balance sheets of shipowner enterprises resulting from the institution of "blocked accounts" (a portion of an enterprise's assets placed in a special bank account). Currently, accounts payable associated with a shipowner's basic business continue to be recorded as "income from past periods," but only in relation to that portion which is acknowledged as liabilities that reduce credit needs. However, the portion blocked by the branch bank in the special noninterest account is recorded in an enterprise's balance sheet on the assets side as "other monetary assets" (example F-r 8, item 0639). A practical connection between the acknowledged and at the same time utilized bank credit and a shipowner's blocked assets occurs during the course of the year on the specifically understood basis of "joint channels." The increased demand for assets in excess of allowed credit is realized automatically by the branch bank in the form of unblocking a portion of a shipowner's assets; in the opposite case, however, a surplus of the assets does not reduce the utilized credit, but is automatically remitted by the branch bank to the previously mentioned "blocked account." This brings about a loss of shipowners' interest during the course of the year to minimize their working capital, especially accounts receivable, since it does not induce any cost preferences, but merely increases assets that are nonproductively frozen in a special noninterest bank account.

The comments presented above very briefly concerning the currently obligatory credit system for maritime transport enterprises indicates the need to modify and refine it. Also, in general the present credit system is not a disciplinary one in the undoubtedly important sector of collection

of accounts receivable, especially foreign ones, which is not insignificant in shaping the balance of international payments, and thus in the macroeconomic framework. Worthy of emphasis here is that the major component elements of assets subject to crediting in Polish shipowner enterprises are accounts receivable which represent about 40 to 50 percent of assets, and incomplete voyages (products in process), which fluctuate between 30 to 40 percent of assets.

Without getting involved in the complex discussions, conducted during the last period by some circles of economic practitioners directly associated with maritime service enterprises, concerning the problem of freight prepayments and the treatment or nontreatment of these prepayments as a shipowner asset, and not arguing with the opinions whether freight paid at the cargo port of destination and freight paid by the loader before performing the service are essentially one and the same or else two separate problems, one can state without doubt that the so-called "financial fluidity" of maritime transport enterprises is decidedly greater compared with other economic organizational units. At the same time, it also is a fact that the role of the bank credit institution as an instrument of control in a planned economy is increasing. This has been indicated in the past dozen or so years even in the analysis of sources of financing for enterprise operating activities. The growing role played in this by bank operating credit is clearly visible. At the end of 1965, credit constituted 44.9 percent of working capital (at the end of 1976 it increased to 52 percent, and on 31 December 1978 it fluctuated around 55 percent). Thus, in accepting in such a situation the principle that 40 percent of a shipowner's working capital will be financed by bank credit, it should be recognized--regardless of the controversies associated with this--that it is both a necessary and compromise solution.

In my opinion, however, the problem depends on defining the procedure and accurately specifying the form in which a credit system functions in maritime service enterprises. Presently the bank operating credit allocated to shipowners effects only a redistribution function, and only in a camouflaged form. The concern here is to greatly increase the role of bank credit as an instrument of control and to incorporate it in the finance system for shipowners so that it would stimulate borrowers to a much greater degree than heretofore to increase their efforts--especially now--in such a critical sector as collection of foreign accounts receivable.

Since it is absolutely necessary, the share of a shipowner's own funds used to finance working capital should be precisely defined. To this end, a simple simulator model is used (see Table 1). It includes three possible solution variants, namely:

Two extreme variants, in which a shipowner's funds in circulation generally do not exist (variant I), or else represent 60 percent of the assets subject to crediting (variant III);

Table 1.

(1) (w jednostkach umownych)

(2)		(3) Wykazanie		(4) Wartości		
				I	II	III
				3	4	5
(5)	1	Środki obrotowe		0 000	0 000	0 000
(6)	2	Fundusze własne w obrocie		—	1 000	0 000
(7)	3	Pozostałe zmniejszające potrzeby kredytowe		0 000	1 000	—
(8)	4	Kredyt bankowy		1 000	1 000	1 000
(9)	5	Zobowiązania przewidywane		0 000	0 000	0 000
(10)	5.1	w tym: „blokada” (3-3)		000	0 100	0 000

(11) Źródło: koncepcja własna

Key:

1. In conventional units
2. Item
3. Itemization
4. Variant
5. Working capital
6. Own funds in circulation
7. Liabilities that decrease credit needs
8. Bank credit
9. Regular accounts payable
10. Including: "blocked account" (3-3)
11. Source: the author's own concept

The middle variant, in which an enterprise's own funds represent 30 percent of working capital (variant II).

Also it is assumed that regular accounts payable fluctuates around 80 percent of assets subject to crediting (similarly, in substance, this is how the matter stands in reality), and on this basis the amount of so-called "blocked accounts" is calculated.

As shown in Table 1, if an enterprise contributes more of its own funds in circulation to finance working capital, it increases its "blocked account" assets in the special noninterest bank account, and, in reverse, if it contributes less, its "blocked account" diminishes. Also, as shown in variant I, a sudden withdrawal by a branch bank of operating credit would cause an abrupt deficit in the assets of a shipowner enterprise amounting to 700 units (compare column 3, Table 1, item 4 to item 5.1). Thus, in this specific situation, one can speak of the rise of an "authentic" credit need by the shipowner. Such a statement, however, would be purely theoretical for two basic reasons:

Table 2.

(1) (w jednostkach umownych)

(2)		(4)	(5)	(6)	Odchylenie (7)	
Lp.	Wykaz zdarzeń	Sytuacja "a"	Sytuacja "b"	Wartość kredytowa	w porównaniu z założeniami w tabeli	
		3	4	5	6-3	6-4
(8)	I. Fundusze kredytu					
(9)	1. Środki obrotowe	4 700	3 300	4 000	(+) 700	(-) 700
(10)	II. Środka finansowania					
(11)	2. Fundusze własne w obrocie	1 200	1 200	1 200	"	"
(12)	3. Pozywa zmniejszające potrzeby kredytowe	1 700	300	1 200	(+) 700	(-) 700
(13)	4. Kredyt bankowy	1 400	1 400	1 400	"	"
(14)	III. Blokady					
(15)	5.1 przy nie zmniejszonych w stosunku do wartości kredytowego zobowiązania (3 300 jednostek)					
(16)	5.2 przy zmniejszonych o 700 jednostek w porównaniu z wartościami zobowiązań (3 300 jednostek)	1 400	2 000	2 100	(-) 700	(+) 700
(17)	5.3 przy zwiększonych o 700 jednostek w porównaniu z wartościami zobowiązań (3 300 jednostek)	700	"	2 100	(-) 1 400	"
(18)	5.4 przy zwiększonych o 700 jednostek w porównaniu z wartościami zobowiązań (3 300 jednostek)	"	2 100	2 100	"	(+) 1 400

(18) Źródło: koncepcja własna oraz dane zawarte w tabeli 1 (kolumna 4)

Key:

1. In conventional units
2. Item
3. Itemization
4. Situation "a"
5. Situation "b"
6. Credit application
7. Deviation relative to assumptions of the application
8. Object of credit
9. Working capital
10. Source of financing
11. Own funds in circulation
12. Liabilities that decrease credit needs
13. Bank credit
14. Blocked account
15. With unaltered accounts payable relative to credit application (3,300 units)
16. With accounts payable decreased by 700 units relative to the application (2,600 units)
17. With accounts payable increased by 700 units relative to the application (4,000 units)
18. Source: the author's own concept and Table 1 data (column 4)

Table 3.

(1) (w jednostkach umownych)

(2) Lp.	(3) Wyszczególnienie	(4) Sytu- acja „a”	(5) Sytu- acja „b”	(6) Wiel- kość kredy- tów	(7) Odchylenie	
					3-4	4-5
1	2	3	4	5	6	7
(8) 1	Koszty kredytu charakteru (poz. 4 tabeli 2)	100	100	100	x	x
(9) 2	Zwrot poprzez opoznania- wanie środków „blokowa- nych”					
(10) 2.1	poz. 5.1 tabeli 2	63	64	63	(-) 21	(+) 21
(11) 2.2	poz. 5.2 tabeli 2	21	x	63	(-) 42	x
(12) 2.3	poz. 5.3 tabeli 2	x	100	63	x	(+) 42
(13) 3	Kwota obciążająca bezpo- średnio koszty armatora					
(14) 3.1	poz. 1-2.1 tabeli 2	86	64	63	(+) 21	(-) 21
(15) 3.2	poz. 1-2.2 tabeli 2	107	x	63	(+) 42	x
(16) 3.3	poz. 1-2.3 tabeli 2	x	23	63	x	(-) 42

(17) Źródło: obliczenia własne na podstawie danych zawartych w tabeli 2.

Key:

1. In conventional units
2. Item
3. Itemization
4. Situation "a"
5. Situation "b"
6. Credit application
7. Deviation
8. Operating credit costs (item 4, Table 2)
9. Return from "blocked account" assets interest
10. Item 5.1, Table 2
11. Item 5.2, Table 2
12. Item 5.3, Table 2
13. Amount directly encumbering shipowner's costs
14. Item 1 minus item 2.1 (Table 3)
15. Item 1 minus item 2.2 (Table 3)
16. Item 1 minus item 2.3 (Table 3)
17. Source: the author's own calculations based on Table 2 data

Table 4.

(1) (w jednostkach umownych)

(2) l.p.	(3) Wymagania	(4) Sytuacja "a" przed oddziały- waniem	(5) Oddziaływanie kredytowe			
			+ 1%	+ 2%	+ 3%	+ 4%
1	2	3	4	5	6	7
(6) (7)	1 Koszt kredytu obrotowego	120	144	160	176	192
	2 Zwrot poprzez opromen- owanie środków na specjal- nym rachunku bankowym					
(8) (9)	2.1 poz. 2.1 tabeli 3	48	58	64	—	—
(10)	2.2 poz. 2.2 tabeli 3	21	24	27	—	—
	3 Kwota obciążająca koszty średnio koszty armatora					
(11) (12)	1 poz. 1-2.1 tabeli 4	88	116	144	176	192
	2 poz. 1-2.2 tabeli 4	127	160	188		

(13) Źródło: obliczenia własne na podstawie tabel 2 i 3.

Key:

1. In conventional units
2. Item
3. Itemization
4. Situation "a" prior to the effect
5. Credit effects
6. Operating credit cost
7. Return from interest on assets in special bank account
8. Item 2.1, Table 3
9. Item 2.2, Table 3
10. Amount directly encumbering shipowner's costs
11. Item 1 minus item 2.1 (Table 4)
12. Item 1 minus item 2.2 (Table 4)
13. Source: the author's own calculations based on Tables 2 and 3

1. In such a situation, according to the obligatory system, a shipowner can make use of reserve fund accumulations for "additional financing."

2. In Table 1 it was assumed that regular accounts payable are smaller than the assets subject to partial financing. As already mentioned, whatever the current situation now in practice, this situation results to a great extent from the perceptible impact that the negative changes occurring in the world maritime transport market are exerting on the activity of a maritime transport enterprise. By accepting in the presented model regular accounts payable at a level equal to working capital, the phenomenon of "authentic" credit need no longer occur.

In summary, it should be recognized that it is advisable to accept as mandatory the principles of the solution presented by variant II (column 4, Table 1). When reviewing a specific shipowner's annual credit application, in determining sources for financing his working capital, a branch bank should be guided by the following proportions: the enterprise's own

funds in circulation, 30 percent; bank credit, 40 percent; and regular accounts payable, 30 percent.

A second problem, one that is just as important and directly linked with the problem of the functioning of the credit system for economic organizational units within the structure of the Polish merchant marine, is the question of the so-called "blocked account" portion of assets in the special, noninterest bank account. In reality, the treatment of part of a shipowner's accounts payable in the obligatory credit system as strictly monetary assets, and at the same time recording them on the assets side of the balance sheet with a coterminous "blocked account" in a special bank account, is debatable and requires changes. In principle, these assets are "unproductively" frozen. The term "in principle" is used here purposely because it is used in certain specific situations to partially finance a shipowner's working capital. For a more detailed presentation of this situation, as in the case for an enterprise's own funds in circulation, we make use of another simplified simulator model (see Table 2). In this model, the assumptions are:

I. The annual credit application stipulates that up to 4,000 units of a shipowner's working capital will be financed by 30 percent of his own funds in circulation (1,200 units), 40 percent by bank credit (1,600 units) and 30 percent by regular accounts payable (1,200 units), but, in conjunction with this, total accounts payable is 3,300 units, which means a "blocked account" of 2,100 units (3,300 minus 1,200) in a special non-interest bank account (compare variant II, Table 1 or column 3, Table 2).

II. During the year a shipowner's working capital changes by 700 units because of two alternative causes:

Situation "a"--increasing to 4,700 units (see column 3, Table 2) as a result of:

1. A total greater than expected in the application stocks of production in progress (incomplete voyages), and, at the same time, a level of accounts receivable that is unchanged relative to the credit application, and a level of regular accounts payable (3,300 units) that is identical to the one in the application.

2. Accounts receivable that are greater than expected in the application, and, at the same time, production in progress that is unchanged compared to the credit application, and regular accounts payable (2,600 units) that is less than expected in the application.

Situation "b"--decreasing to 3,300 units (see column 4, Table 2) as a result of:

1. Stocks of production in progress that are greater than expected in the credit application and, at the same time, a level of accounts receivable

that is unchanged compared to the application, and a level of regular accounts payable that is identical (3,300 units) to the application.

2. Accounts receivable that are less than expected in the application, and, at the same time, production in progress (incomplete voyages) that is unchanged compared to the credit application, and, at the same time, regular accounts payable (4,000 units) that are greater than in the application.

If we consider the "joint channels" principle, already mentioned in this article, depending on this that the increase in working capital during the course of the year over the level accepted in the credit application causes automatic "pumping up" by the branch bank of a portion of the assets blocked in the special noninterest bank account--but working capital that is less than that in the credit application automatically causes an activity that is just the opposite--then Table 2 data shows that:

The changes during the course of a year (in plus and in minus) relative to that which was accepted in the credit application on the status of working capital, which is partially financed by bank credit, consequently cause only and exclusively a movement of assets blocked in the special noninterest bank account. The status of credit as well as an enterprise's own assets (funds in circulation) do not change during this time and can be characterized as constant;

The status during the course of a year of assets in the so-called "blocked account" depends on:

The change, in comparison with the credit application, in the amount and structure of a shipowner's working capital, and especially changes in his accounts receivable;

The change, in comparison with the credit application, in the formation level of the regular accounts payable of a specific shipowner enterprise.

In view of the considerations concerning an enterprise's own funds in circulation and the institution of "blocked accounts" for shipowner enterprises, one can state with a great degree of probability that with the use of a shipowner's own funds in financing his working capital, specified ex ante in the annual credit application, the amount of assets blocked in a year's time in the special noninterest bank account will decrease all the more as the collection of accounts receivable slows down, along with a relatively faster regulation by the shipowner of his accounts payable, as well as uncritical dispensation of agency advance payments. Of course in both cases an additional undoubtedly significant determinant is the economic situation in the world maritime transport market (freight rate levels). This means that the tendency in the development of changes in the amount of assets blocked in the special noninterest bank account are--generally speaking--a measure broadly designating a shipowner's current

financial system in the area of collecting accounts receivable and regulation of accounts payable. The systematic growth of assets in the so-called "blocked accounts," observed in a certain period, is a signal that the situation is improving in the discussed sector, but the observed systematic reduction of "blocked accounts" is an indication of a reverse phenomenon. Thus, the postulate announced some time ago by the shipowners that interest on assets accumulated in a special "blocked" bank account should be acknowledged as justified providing that the interest obtained by the specific shipowner would, as a result, automatically reduce the costs that an enterprise must carry relative to encumbering of operating credit. This would not represent any precedent (for example, the Shipbuilding Industry Association).

In my opinion, the introduction of interest justifies a fundamental prerequisite, namely: the assets accumulated in the "blocked account" will increase as collections by an individual shipowner of his accounts receivable improve, especially foreign ones, which is very important from the macroeconomic viewpoint. Also, the interest on such an account will be a specific type of stimulus to improve the collection of accounts receivable by a specific maritime transport enterprise. The interest rates remain to be determined. The amount of interest on assets in a special bank account should, in principle, be identical to that on the assets in the special purpose funds; that is, it should be 3 percent per annum maximum.¹

Table 3 shows how the operating credit costs carried by a specific shipowner will actually look in such a situation. Table 3 is based on Table 2 data, the interest rate on the granted operating credit--6 percent per annum (6 percent basic credit and 2 percent bank commission) and the interest on "blocked account" assets to the extent of 3 percent per annum.

Table 3 data indicate that in case of a sudden increase in a shipowner's working capital over the amount assumed in the credit application, there occurs--in a certain sense--an automatic increase of costs of the granted operating credit because the assets in the special bank account are less than expected, and at the same time the base used to calculate allowances up to 3 percent per annum diminishes (compare columns 4 and 7, Table 3). In analyzing columns 3 and 6 of Table 3, doubts can arise concerning the possibility of certain "tactical" moves by a specific shipowner at the allocation stage on the basis of the basic credit limit of the application. Thus, in accepting as sensible the higher working capital in the credit application, the shipowner obtains a higher credit limit, and the resulting costs compensate--in a form much higher than expected--for the assets in the special bank account. In such a case, the branch bank should take advantage of the possibility of reserving for itself the right to reevaluate the annual credit application after a certain time has elapsed (Art. 80, Official Instruction A-8).

1. The use of the designation "maximum" is not by chance. I will expand on this in much more detail further on in the article.

Despite the fact that assets concentrated in the special bank account will earn interest, the problem of their in principle² "unproductive" accumulation will continue to be an open problem. That is why it also would have been important to introduce in the presented concept a direct, unilateral link between the assets accumulated in the special bank account, and the shipowner's assets in the investment fund, designating them for investment activities associated with the purchase of ships and ship equipment. Of course, the transfer of assets to the investment account would be of an optional nature and would depend on the shipowner, together with the eventual financial consequences in case of improper advancements.

The currently obligatory credit system for the Polish Merchant Marine enterprises and its modifications as proposed in this article deviate to a great extent from the so-called "conventional" system, whose basic principles and forms are contained in Official Instruction A-8. This also means that the method of operation to be used eventually by a branch bank financing a specific shipowner, naturally, must be different. When analyzing the annual credit application of a specific maritime transport enterprise, on the basis of a comprehensive evaluation of a shipowner's entire operation and the experiences of the past period--in case significant irregularities are ascertained--the branch bank could:

Increase the interest rate on the designated basic credit;

Appropriately "adjust" the interest rate on assets accumulated in the special bank account.

The concern here is not regarding alternative solutions, but rather regarding simultaneously increasing the interest rate on allocated operating credit and decreasing the interest rate on assets accumulated in the special bank account. In other words, if significant irregularities are ascertained in a shipowner's activities when evaluating the annual credit application, for each one point increase in the interest rate on operating credit, the branch bank could at the same time automatically lower by one point the interest rate on assets accumulated in the special bank account. This means that when decisions are made concerning increasing the interest rate on operating credit by 3 and 4 points, in general, interest on assets in the special bank account would not be applied. The example contained in column 3, Table 3 (situation "a") illustrates this problem.

As shown in Table 4, the severity of the proposed form of action would be quite significant. Thus, if in the currently obligatory credit system a maximum increase in the interest rate on operating credit would, in the presented example, cause additional costs amounting to 64 units (see Table 4, item 1, column 3 to column 7), then in the system proposed in this article additional costs would be 85 units (see Table 4, item 3.2, column 3 to column 7) or 106 units (see Table 4, item 3.1, column 3 to column 7).

2. "in principle" because, as already mentioned, they are used partially by the shipowners to finance a sudden increase in working capital during the course of the year.

Of course, as in the preceding examples, a number of simplifications were used here, but it should be remembered that they reflect the essence of the problem.

The problem concerning the distribution and allocation of the net profit of a specific shipowner enterprise--as well as the question associated with the use of expedient funds, above all reserve fund assets--is a separate problem, but is indirectly linked with the credit system. As already mentioned, despite the fact that in the currently obligatory system the participation of a shipowner's own funds in circulation in financing his working capital was not designated by the legislator, it is generally accepted that the excess of an enterprise's own funds in circulation at the start of the year is a secondary source for creating a reserve fund. It also has been ascertained that a shipowner's reserve fund can be used first of all for supplementing the fund provided by statute in an amount up to the shipowner's own established share of funds in circulation. This means that, in light of the present system, increasing as well as decreasing the reserve fund in this way simply does not occur in practice. That is why it is true--but only from the theoretical viewpoint--that the reserve fund at the shipowner's disposal facilitates his start. In practice, however, disregarding here the reasons for this state of affairs, one shipowner struggles with major financial difficulties because he lacks assets for a reserve fund but, at the same time, another shipowner eminently plays a passive role, limiting himself exclusively to accumulating a portion of the writeoffs from above-standard profits.

At the same time, the possibility of disseminating among maritime service enterprises via the Ministry of Foreign Trade and Maritime Economy of assets for a reserve fund, which was foreseen by the legislator, is used only in sporadic cases and rather unwillingly.

Thus, in this regard, it also would be advisable to modify the credit system. It is proposed that supplementing a shipowner's own funds in circulation in the amount of up to 30 percent of his working capital would be done only during the evaluation of the annual credit application and only from the enterprise's standard profit. The possibility of a shipowner supplementing his own funds in circulation from assets of the reserve fund--in the context of the proposed changes in the shipowner's credit system--should be eliminated. The decrease during the course of a year of the share of a shipowner's own funds in circulation to less than 30 percent of working capital as a result, for example, of an increase in accounts receivable should be supplemented by the shipowner--because of the constant character of the operating credit limit--from assets accumulated in the special bank account, which in turn would decrease the base for calculating the interest "mitigating" the operating credit costs allocated to a shipowner. But a surplus of a shipowner's own funds in circulation that exceed 30 percent of his working capital--that is uncovered in the course of reviewing the annual credit application--would be remitted, as heretofore, to the enterprise's reserve fund, except that it no longer would be

called "reserve investment fund," and in addition would be replenished, as heretofore, with a portion of the planned above-standard profits. The name change is dictated by the fact, as already mentioned, that the assets of this fund could not be used to supplement a shipowner's own funds in circulation, but can be used exclusively to supplement investment fund assets.

At the same time it is proposed to create at the ministerial level a "centralized reserve fund," which would be administered by one of the shipowners' enterprises. Incidentally, this would not represent a precedent, because currently a special account is functioning that is administered by one of the shipowners. Assets accumulated in the centralized reserve fund would be used for:

Nonrepayable aid (subsidy) for the repayment of investment credits in case of imminent repayments during the maximum credit period;

Supplementing financing of investment for ships, but only in case investment fund assets or assets of the reserve investment fund are exhausted beforehand, as well as assets accumulated in the special, interest bank account;

The allocation--upon prior agreement with the bank--of short-term (up to 1-year) loans to finance a specific shipowner's operating activities. Repayment of the loan would occur--without any grace period--in equal quarterly installments from assets accumulated in the special, interest bank account. If, after 1 year has elapsed, there is a lack of assets in the mentioned bank account, repayment of the loan would be from interim credit given to the shipowner by the bank at an interest rate of 10 percent per annum especially for this purpose.

During the first year of its existence, the source of funds for the mentioned centralized reserve fund would be a one-time payment from individual shipowners amounting to 50 percent of the assets in current reserve funds under their control, and 30 percent of assets accumulated in the special, interest bank account.

In later years, this fund would be created from:

A part of the above-standard profit earned by the enterprises;

A specific percentage of a portion of the assets of the reserve investment fund;

A specific percentage of a portion of assets accumulated in the special, interest bank account.

In addition assets in this fund would earn 3 percent interest per annum. The interest would be added to the assets. It can be expected that the

proposed centralized reserve fund, created at the ministerial level, would be a more effective means than current solutions for counteracting the severe disproportions in the assets of investment and reserve funds that are now occurring for various reasons among individual Polish shipowners. In addition, in my opinion it would make possible better and more forceful management of assets than before by the entire Polish Merchant Marine, a fact which would not be insignificant from the viewpoint of raising the level of operating efficiency for individual shipowners.

The introduction of the proposed changes would stimulate shipowner enterprises to be constantly and permanently concerned about raising the level of management effectiveness and, in my opinion, would also permit a number of new initiatives in this area. In addition, it should be remembered that the introduction of the proposed changes would strengthen the importance of operating credit in the financial management of Polish shipowners, especially as an instrument of control.

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CONTINUING PROGRESS SEEN IN INCREASING LABOR PRODUCTIVITY

Bucharest REVISTA ECONOMICA in Romanian No 26, 27 Jun, No 28, 11 Jul 80

[Two-part article by Barbu Gh. Petrescu]

[27 Jun 80, pp 3-4]

[Text] The dynamism of Romania's economy, the stress placed on the qualitative aspects of economic growth, the great objectives which our entire population is called upon to achieve in the future, are all based on the party's scientific and innovative concept for the country's socioeconomic development. This concept became particularly manifest following the Ninth Party Congress, a notable political event whose occurrence a decade and one-half ago we will soon celebrate; an exceptionally significant role in this concept's formulation was and is being played by the secretary general of the party, Nicolae Ceausescu, whose penetrating vision has opened new horizons for the exploitation of the economy's potential.

New Element in the Innovating Concept of Economic Development

Increased labor productivity is a significant element in this concept, a determining factor in the achievement of the great successes recorded in our country during the last three five-year plans. Even as early as the Ninth Congress, Nicolae Ceausescu in the report presented to that congress clearly stressed the imperative need for higher productivity, considering the latter as a decisive element in demonstrating the superiority of socialism over capitalism in the economic sphere, and in achieving a qualitative progress in the economy while creating the resources necessary for a continued improvement in the lives of the masses. The acuity of this need was heightened by the fact that the country's economy was carrying a heavy inheritance from the old regime, with Romania showing a wide lag in productivity compared to that of economically developed countries.

Starting from this position, numerous actions were taken during the years that followed the Ninth Congress, to increase the technical endowment of the economy and to improve the organization of activities; concern was and is constantly being shown to exploit as well as possible the potential of

Table 1. Labor productivity per person.

Sector	1950	1965	1970	1975	1978	1979
Industry	100	343	488	666	838	887
		100	142	194	244	258
Construction-installation	100	261	340	495	622	252
in enterprises		100	130	189	238	249
Railway transportation	100	180	254	324	361	369
		100	141	180	201	206

Table 2. Productivity growth rate for industry as a whole and for some of its branches.

Branch	1966-1979	1976-1979
Industry total	7.0	7.5
Ferrous metallurgy	8.4	8.7
Machine construction and metal processing	8.5	8.9
Construction materials	7.9	9.2

endowments and resources, with increased labor productivity being conceived in terms of a decisive reduction in the material effort devoted to development, a better utilization of manpower, and a sustained improvement in the qualification of the personnel. The goal was therefore to obtain concrete results and achievements likely to consistently reduce the existing lags in productivity, and to lay the foundations for further significant progress.

Now more than ever, increased productivity is one sure approach for continued reduction in the gaps that separate us from the world's developed countries. The secretary general of the party has repeatedly reaffirmed this need: "Without a labor productivity comparable to that of developed countries", he has stated, "we cannot say that we have gone beyond the stage of developing nation. Labor productivity is not a matter of courses, of general political economy taught in schools, but a matter of living -- and I daresay -- a vital requirement in asserting the superiority of socialism and the victory of communism throughout the world."

What are the elements which define achievements and objectives in increased productivity, what means have and are being taken to obtain it, and what actions are being planned in this domain -- are a few of the points which we will seek to clarify in this article.

Table 3. Industrial production growth obtained as a result of higher labor productivity.

Period	Percent
1965/1960	64.5
1970/1965	69.0
1980/1975	70.0
1985/1980	80.0

Sustained National Income Growth

During the years of the building of socialism, labor productivity has systematically increased at a rapid rate; a representative growth of this indicator can be observed in industry (table 1). During 1951-1979 period, labor productivity per person employed in industry has increased nearly 9-fold (at an average annual rate of 7.8 percent), with consistent increases being noted during the years following the Ninth Congress of the RCP; this involves not only productivity increases for the industry as a whole, but increases in basic industrial branches as well (table 2).

An increasingly higher proportion of the national income has been obtained as a result of this rapid growth in productivity -- taking into consideration the parallel reduction in the proportion of material expenses in the social product. This process can be illustrated for instance, by an increased industrial production volume resulting from greater labor productivity, with the proportion of this volume in the total industrial production growth moving steadily from 64.5 percent in the 1961-1965 period, to 70 percent during the 1975-1980 five-year plan, and to about 80 percent during the 1981-1985 five-year plan (table 3); this process once more emphasizes the determined concern of the party to strongly assert the qualitative factors of increased production.

Associated with the increased industrial production obtained as a result of increased labor productivity, it is interesting to observe the effect of this growth, measured not only in terms of additional industrial production and consequent increase in national income, but for instance, in terms of personnel reductions with respect to the number of people that would have had to be trained in order to achieve the production increase of any given period had the level of labor productivity remained unchanged; in 1979, for instance, as compared to 1965, the number of industrial employees would have had to be increased by about 4-fold to reach the actual production level, thus bringing that number to 7,370,000 instead of the existing 3,227,000; it was therefore possible to increase productivity with a relative reduction of 4,143,000 employees.

During the 1981-1990 decade, labor productivity will constitute an even more powerful essential leverage to achieve a new quality in the economy. Among other supports for this argument are the continuing rapid rates of growth of productivity, particularly in industry, a sector which we are analyzing here. According to current estimates, industrial labor productivity during the 1981-1985 five-year plan (calculated in terms of overall productivity per person) will increase at an average annual rate of 6.8 percent, with a 1.9-fold increase predicted for the next decade as a whole.

However, an analysis of productivity growth by industrial branches points out the fact that some of these branches -- namely, those in the vanguard of technical and scientific progress -- will undergo rates which significantly exceed the labor productivity of the industry as a whole. Taking industrial labor productivity to be equal to one, the same index during the 1981-1985 five-year plan will be 1.33 for machine construction, 1.19 for chemistry, and 1.03 for ferrous metallurgy, and will continue to improve during the 1986-1990 period.

Conservation of Social Labor While Increasing Productivity

Another point should also be noted. The superior exploitation of material resources and energy, the more complete utilization of working hours and of the labor force in industry, are fully evidenced by the changes in labor productivity calculated on the basis of net production. Since one of the priority tasks for this period and for the future is a reduction of material costs in industrial products as a whole (by 5.5-6.0 percent during the 1981-1985 five-year plan), labor productivity calculated on the basis of net production is growing and will grow more rapidly than that based on total production, both for the industry as a whole and for its branches. During the 1981-1985 five-year plan for instance, the average annual growth rate of labor productivity calculated on the basis of net production will be 7.5 percent for the industry as a whole (6.8 percent for labor productivity on the basis of total production), with greater growths being predicted for the machine construction branch (10.6 percent against 9.0 percent), chemistry (9.5 percent instead of 8.1 percent), and the food industry (7.8 percent as compared to 5.9 percent). These provisions demand that sustained actions be taken to extensively promote technical progress, rigorous conservation of material resources and fuels, intensive utilization of the means available in each unit, higher qualification and improved professional training, better organization of production and labor, and stronger order and discipline in all enterprises and all work stations.

Also significant within this dynamic framework are the figures indicating the value equivalent of one percent increase in productivity. Whereas this percent amounted to about 1.7 billion lei in 1965, it grew to 5.5 billion in 1975, 7.6 billion in 1978, about 9.5 billion in 1980, and will reach approximately 14.7 billion lei in 1985. And since increased productivity is accompanied by production diversification and higher utilization values throughout the economy as a result of the superior exploitation of raw

material resources, these processes increase the volume of values created in the economy; as a matter of fact, since greater labor productivity introduces a larger amount of labor in products through successive processing of a given amount of raw and other materials, its effect has been that beginning with the 1971-1975 five-year plan, the national income has grown at a more rapid rate than the social product.

Despite all this, the sustained efforts to increase labor productivity are not yet completely satisfactory. That is what Nicolae Ceausescu had in mind when he stated that "new measures are needed to further improve labor productivity. We should not be content with our achievements in the area of labor productivity." An accelerated growth rate in labor productivity is also imposed by the fact that the existing gaps between the economic development of our country and that of advanced nations in the world are objectively determined by the gaps persisting in productivity, which although steadily narrower, continue to remain below the productivity levels attained by a number of economically advanced countries.

Even given the difficulty of comparing labor productivity levels among different countries, the available data clearly shows that at the beginning of the current five-year plan, the level of labor productivity in our industry was 2-4 times lower than that of advanced nations. Therefore, in order to come closer to the level of advanced countries we must attain the highest level of labor productivity, our economy having already created all the necessary technical, material, and social conditions for it.

It is evident that higher labor productivity is directly proportional to the degree of development of the national economy. In the light of this correlation, it is imperative that we continue to sustain high growth rates in labor productivity and overall economic efficiency, these processes being considered vital for the country's progress. This has been the aim of measures for continued improvement in the structure of the national economy and industry, for extensive promotion of technologic progress, for improving the structure of the labor force together with professional training for workers and all employees, and for the scientific organization of production and labor.

It is necessary that the provisions for increased labor productivity be considered as minimum tasks, this constituting the assumption of an obligation on the part of all workers toward the great achievements made during the 15 years elapsed since the Ninth Party Congress, and toward the wise and humanitarian policy of the party. The assurance of high growth rates in labor productivity imposes more intensive concern on the part of ministries, centrals, and each individual unit, and the direct participation of all workers' collectives in formulating and completing measures for introducing technologic progress, improving the organization of production and labor, bolstering the structure of the labor force, and continually raising its level of training. The workers have the great patriotic duty to

act consistently to fulfill and surpass the plan's provisions regarding greater labor productivity, since its increase in all branches of material production is directly associated with a general improvement in the people's standard of living.

[11 Jul 80, pp 3-4]

[text] In the first part of this article we discussed the stress placed on higher labor productivity following the Ninth Party Congress, in industry as well as in other sectors of the economy, a growth considered as an essential step to assure the country's socioeconomic progress, and reduce and eliminate the gaps which still separate us from economically developed nations. In this second part of our study, we will examine ways and means for increasing productivity, and the steps and actions taken decisively by the party and all workers -- and initiated by Nicolae Ceausescu -- to exploit the significant reserves available for higher labor productivity.

The sustained promotion of technologic progress, particularly under the conditions of the modern technical and scientific revolution, has been and is considered as one of the most important approaches for increasing productivity. The materialization of this orientation in the economy has been and is being assured by the priority development of industrial branches and sub-branches requiring complex labor and technologies, which enable the formation of the means necessary to increase the technical endowment of units, and the superior utilization of the country's energy, material, and human resources.

Industrial and economic practice fully confirm the relationship between technologic progress and higher productivity. In the electromechanical industry for instance -- which in addition to its production of machine-tools, electronic and automation devices, and so on, also supplies significant technologic means for increased productivity -- the fixed assets per worker have increased by 10 percent between 1965 and 1980 together with a 62 percent growth in labor productivity. This fundamental choice in our party's policy has created an increase in modern fixed assets with high technical, economic, and operational specifications: between 1965 and 1980, these have increased 4-fold as compared to a 2.2-fold increase between 1950 and 1965. Consequently, about 70 percent of the economy's total fixed assets have been placed in operation during the last fifteen years, providing the country's socioeconomic development with a powerful technical and material foundation.

The dynamic, progressive element in production equipment is represented by machine-tools; they contribute to an accelerated growth in labor productivity through their technical, operational, and economic performance, and through their wide dissemination in all the productive sectors of the economy. That is why, during the last two five-year plans, the current five-year plan, and the next period, a major objective is the supply of a judiciously formulated requirement of equipment and machine-tools for the economy, especially from domestic production, while reducing importations, expanding the range of models, and improving performance parameters.

Within this framework, the production of machine-tools has grown about 6.8-fold between 1965 and 1980, parallel with improvements in their technical, operational, and economic specifications. The same growth trend will continue in the future; whereas in 1970 Romania was only the 15th largest producer of machine-tools in the world, it expects to be the fifth largest in 1985, immediately after FRG, USA, USSR, and Japan, and ahead of many countries with traditions and achievements in this domain. The fulfillment of this vast program obviously implies great structural changes in the production of machine-tools, both in terms of types and of the efficiency with which they are manufactured: this imposes a need to increase the labor productivity of the production units.

One notable aspect is the stress placed on quality in the production of machine-tools. This is reflected for instance, in the more rapid increase (by about 16-fold) in the value of the manufactured machine-tools, compared to the tonnage produced (an increase of about 6 times between 1965 and 1978), or to the number of these machines (an approximate 4-fold growth between 1965 and 1978, even though their number decreased between 1975 and 1978) -- this increased value resulting primarily from their greater complexity and level of automation. In 1980, nearly 60 percent of the machine-tools needed by the economy will be supplied from domestic production, which will consist of 521 types and models, 371 of which will be cutting machines. As established by the 12th Congress, the production of metal cutting machine-tools will reach 17.5-19.9 billion lei by 1985, with emphasis being placed on high technology equipment; the production will include 230-240 Carusel lathes of 2000-16,000 mm, 90-95 processing centers and machine systems, and 75-80 longitudinal two-post milling machines with table widths of up to 3150 mm. At the same time, the structure of this production will be improved by orienting it toward high productivity, complex, multi-functional or multi-system equipment, with a high degree of automation, manufactured with reduced energy consumption and low specific weights, so that these indicators will also be competitive with those of economically advanced countries.

At the same time, it should be noted that under the conditions prevailing in Romania, which are actually very similar to those of most European countries, preference is expected to be devoted to small production runs and small lots of machine-tools and equipment. In fact the situation is also not very different in countries which have reached a high level of industrial development; according to some recent findings, 73 percent of the machines manufactured in the United States for instance, are produced in lots of 75 or fewer units. The need to diversify production in order to satisfy the constantly changing quantitative and qualitative needs of various economic branches, places priority on increased economic efficiency -- and primarily on labor productivity in small-run production. Modern technology is asked to provide many solutions to this problem, among which a greater emphasis on the use of numerically controlled machine-tools.

Together with the continuing endowment of labor with modern machinery, tools, and installations, a more intensive use will be made in the future of machine-tools, equipment, installations, and all fixed assets in the economy. It is imperative that each economic unit increase its production, first of all through the superior utilization of available technologic means and the exploitation of all such reserves, only then being entitled to request new investments -- as repeatedly indicated by the secretary general of the party. Together with the design and fabrication of machine-tools, equipment, and installations with reduced material and energy consumptions, this orientation is also an involvement in a position of strict energy and material conservation, an imperatively necessary process under the present crisis of raw materials and energy.

In order to assure a continued growth in productivity and efficiency through the best use of the endowed potential, it becomes particularly important to improve maintenance and repairs, the supply of spare parts, and the qualification of the labor force, so as to assure the operational reliability of the available inventory of machines and equipment. Particular stress is placed on qualitative aspects, associated with the highest technical and economic yield of available fixed assets. Consequently, the 1981-1985 five-year plan provides for an overall industrial production of 1800 lei and for a net industrial production of 600 lei per thousand lei of fixed assets in industry (as reported in inventories).

The relationship between greater technical endowment of the economy and productivity increase, has been and is conceived to necessarily be complemented with the promotion of modern, economic technologies. The development and expansion of production mechanization and automation have been and are formulated in this light. According to the provisions of the 12th Congress, significant progress will be made during the next five-year plan in the sustained promotion of automation and computerization of processes, and in the introduction of microprocessors into production processes.

It is significant in this respect that the Program for Scientific Research, Technologic Development, and Introduction of Technical Progress, planned for the next stage, includes a number of mechanization and automation goals, most of them in a number of production sectors in the branches of chemistry, extraction, metallurgy, and machine construction.

The chemical industry for instance, will introduce technical process control using computers for cracking columns, synthesis processes, and for measurement and control instrumentation; the machine construction, electronics, and electromechanical industries are envisaging the mechanization of operations: for cutting machines, plastic moulding, painting, and so on, using industrial handlers and robotics, for in-plant transportation using motorized and electric forklifts, as well as electric

parts, for coring, for modularized strips of secondary circuits, for automatic painting lines using industrial robotics, and for the automatic fabrication of subassemblies in the electrical and electromechanical branches; the extraction industry is planning the development and modernization of mechanical cutting and loading for coal in frontal walls, using combines and corers, the automation of underground transportation lines, and so on. The effects of these extensive actions for expanded mechanization and automation will have positive repercussions on the economy's development, not only through rapid growth in labor productivity, but also through improved working conditions -- a significant feature of the party's policy -- reflecting the concern shown by the party for the living and working conditions of the people.

We have delved on the quantitative and qualitative increase in the economy's technologic endowment, because it indicates a number of complex facets which have important interpretations in the light of the world's economic realities, such as the energy and raw materials crisis. But as the party's documents have often indicated, Romania's economy, and in particular its industry, has many latent reserves available to workers' collectives for increasing productivity, the actions taken to exploit them having taken new dimensions during the years that followed the Ninth Party Congress. Especially important in this light is the improved organization of production and labor through better scheduling and control of production, technical and material supply, in-plant transportation, equipment maintenance and repair, and so on. This involves a large number of measures and actions aimed at improved organization, order, and discipline in each production department and at each work station. As stated by Nicolae Ceausescu, we must "stop talking in general terms about increased labor productivity, and compare ourselves realistically with similar enterprises abroad; ... introduce the same organization, the same standards, and the same work discipline. Because it is not enough to have modern machines, if they require three to four men each, where a single worker can do the same job abroad."

Actions must be taken for the complete and most efficient utilization of working hours. At the present stage of our economy, each lost minute leads to production losses; it has been calculated that one minute of production time in industry amounts to approximately 6 million lei. Extremely important in the improvement of organization is the consolidation of workers' self-management, economic self-management, the most effective fulfillment of the increased functions conferred upon basic units and their collective management organs, and the expanded responsibility of workers' collectives in the formulation and completion of industrial development plans. Also of growing importance are actions to increase the specialization of industrial production, the standardization of products and subassemblies, the rational organization of technologic process flows, and greater cooperation in production. Similarly, efforts must be directed toward expanded operations on several machines, optimum and effective

scheduling of production and stocks, and improved job standardization. All of these are concrete ways and means to increase labor productivity, ways and means which have already been used and which -- given the magnitude of Romania's economic development -- must be further utilized in the future, as indicated by the secretary general of the party.

Equally important for the accelerated increase of labor productivity and its consequent accelerated economic growth, is the constant concern of our party and state for the qualitative training and structuring of our work force in accordance with the new conditions imposed by the technical and scientific revolution. Essential measures in this context are those intended to improve the professional training level of workers and all employees, thus directly creating foundations for higher productivity through a better utilization of available resources, large production growth, and so on.

It is notable that more than 1200 workers have been qualified in the professional instruction system as a result of the great progress made in developing Romania schools and raising the general level of education and training of the population, following the measures taken in 1965-1980 to improve the technical and material foundations of professional schools, to expand the system of these schools, to raise the teaching level and extend general specialized education, and to improve the categories of professions and trades. As a result of the above, the proportion of qualified workers in industry grew to 88 percent in 1979. At the same time, an increasingly large number of workers are trained by other means, such as in-production education and short courses, with the result that a large portion of all the qualified workers and of those who improved their qualifications, were trained without leaving the production process.

High technology and dynamic economic and organizational structures demand that the training of the work force, its improved education and acquisition of knowledge, be a continuing process, as an essential condition for satisfying the growing requirements of our economic development. It is significant among other things, that the 1981-1985 five-year plan will see a development of all levels of education, a larger number of students enrolled at the second high school level (70 percent), an expanded higher education, a nearly 50 percent qualification of the work force in schools, and a more intensive re-education and permanent completion of knowledge.

The harmonious development of the economy has also increasingly caused a better and more efficient utilization of human resources throughout the country, by creating equal living and working conditions for all the nation's citizens. In this respect, the next five-year plan provides for new and profound qualitative changes in the country's human potential. Thus, approximately 75 percent of the employed population in 1985 will be active in non-agricultural sectors, particularly in industry, a condition which will be reflected in an increased productivity of social labor; the plan also provides that by the end of 1985, each county will achieve an

overall production of at least 70,000 lei per inhabitant, and an employment rate of at least 400 persons per thousand. A new feature designed to reduce the employment gap of the work force among counties, is the building of new production capabilities in smaller units, which will offer an opportunity for a more judicious location of jobs in zones with less developed industrial activities.

The vast goals for increased productivity, established during these last 15 years and for the future, and the many orientations, actions, and measures conducted throughout the economy to achieve these goals, once more point out the extreme importance of higher labor productivity for Romania's socioeconomic progress, for building a multilaterally developed socialist society, and for advancing the country toward communism.

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ECONOMIC RESULTS IN TRANSPORTATION FOR 1979

Belgrade TRANSPORT in Serbo-Croatian Jun 80 pp 5-8

[Excerpt] In spite of the efforts made, the steps taken and the commitments assumed to stabilize economic trends in 1979 and to keep them within the limits of real capabilities, complete success was not achieved. It is obvious that a period of 1 year is not enough to correct to any appreciable extent the causes of economic instability, which were initiated not only by internal factors, but also by external ones.

Structural disproportions in production, especially in relations between the manufacturing industry and the raw materials base, make our economy dependent on imports, especially imports of raw materials and producer goods. Since these disproportions are being corrected very slowly, yet finished output is showing a steady high growth in relative terms, the dependence on imports of various raw materials and producer goods is becoming greater and greater. In 1979, for example, the value of producer goods was about 64 percent of total imports.

At the same time the large demand for goods on the domestic market, the more favorable sales terms and conditions, and also other circumstances (regional exclusiveness, protectionism, occasional limitations, restrictions, less favorable sales terms and conditions, etc.) have had an impact on the size of exports, which did not reach the volume and value that would ensure more realistic and objective relations in foreign trade. This adverse relation between exports and imports has been one of the very significant causes of internal instability (the value of exports has been covering only 48 percent of imports).

The world energy situation, above all the prices of the petroleum which our country must import in sizable amounts, has also had a particularly adverse impact on the stability of domestic economic trends. Last year 34 million dinars were paid for petroleum and gas, which is 173 percent more than in 1978.

Another cause of the domestic economic instability has been excessive spending, the failure to keep spending in line with the social product and

the income of the economy. All types of spending, especially in the first half of last year, increased very rapidly and impermissibly, so that the tolerant limit of stability in the further conduct of economic activity was jeopardized. Then came the well-known steps of the Federal Executive Council in the fields of prices, credits and imports, in the domains of investment and public spending, fuel consumption, etc., which were supposed to slow down the adverse trend threatening the necessary stability of economic activity.

All of this, along with certain other phenomena and patterns of behavior in the economy and outside it (unsatisfactory growth of productivity and economic efficiency, assumption of foreign indebtedness, the position of associated labor in expanded reproduction and in the sector of credit and prices, the slow pace of the process of pooling labor and capital, etc.) have had an impact on economic flows and on their qualitative nature. Price and cost inflation has been high (between 13 and 26 percent), and the cost of living has canceled out the nominal growth of personal incomes.

But in spite of all the difficulties and problems which accompanied domestic economic trends last year, favorable results were achieved in production (the index numbers were 107 for the physical volume of production and 108 for industrial output) in the sectors of construction, transportation, trade, tourism, etc.

Development and the results of the transportation sector last year were also affected by domestic economic trends, above all production and domestic trade and then foreign commodity trade, the traffic of transit freight through our country and traffic on the international market, above all the maritime shipping market. The financial results achieved in high relative values are an expression of overall development in the price and cost field. Their real and objective magnitudes and values would be hard to assess without a more serious analysis. In any case the economic results achieved by the transportation sector are an expression of the impact of domestic and foreign economic trends and events on the domestic and international markets.

In quantitative terms exports and imports in 1979 were up about 22 percent, and transit traffic of foreign freight was up 1 percent. The volume of international cargo carriage (exports, imports, transit and cargo carried between foreign ports) was up 7 percent, but the traffic (ton-kilometers) was down 4.5 index points.

Because the domestic merchant fleet was primarily employed to carry foreign goods (in 1979 this carriage had a share of 63 percent in the total volume and all of 78 percent of the total traffic), conditions on the international maritime market were also important to the results achieved in transportation. On the basis of rates obtained for time charter, voyage charter, line shipping and the carrying of liquid cargoes, the situation on this market was more favorable than in 1978. That is, rates began to rise in 1978 following 2 years of stagnation and decline, and their rise continued in 1979

as well. For example, time charter rates rose 41.6 percent (Norwegian maritime index--1971 = 100), voyage charter rates rose 28 percent (July 1965-June 1966 = 100), line shipping rates rose 10.7 percent (German maritime index--1965 = 100), and liquid cargo rates 68.5 percent (world scale). We certainly must not forget that as rates were rising, there were also appreciable increases in operating costs because of higher fuel prices (about 70 percent), court fees, commissions and prices of miscellaneous services. Inflation, accompanied by a high rise of prices and costs, was also present in other countries and also was a burden on their economic relations.

The volume of freight was up about 24 million tons, or 8 percent, but the traffic because of the shorter haul in certain branches of transportation (maritime and river) was down 2 index points.

This growth was smaller than in 1978, when it was 11 percent (both the volume of freight and traffic).

Passenger transportation was also somewhat slower than in 1978. Last year both the volume and traffic rose only 1 percent. In 1978 these increases were 2 percent and 3.7 percent, respectively.

In view of the development of industrial production, foreign commerce, the volume of transit freight and employment in carrying foreign cargo (maritime transportation), a growth of freight service is realistic. As for development of passenger transportation, the financial abilities of the population have been among the things that have affected its volume and growth.

Table 1. Freight and Passenger Service

Aspects	1978	1979	%
1. Passengers carried, in thousands	1,060,001	1,068,126	101
Passenger-kilometers, in millions	44,145	44,628	101
2. Freight carried, in thousands of tons	308,363	332,038	108
Ton-kilometers, in millions	228,717	224,383	98

The railroads achieved very good results in carrying freight (the volume of freight was up 9 percent and the traffic up 11 percent), and if this marks the beginning of its ever greater participation in carrying freight, then over the next 5 to 6 years we might expect a more favorable distribution of freight among the branches of transportation, above all in terms of profitability from the standpoint of society.

In highway transportation the traffic increased 4 percent and the volume 9 percent, in air transportation 56 percent and 19 percent, respectively, and in maritime and river transportation traffic was down 4 percent. Yet the volume of traffic was up 5 percent in maritime transportation, but down 1 index point in river transportation.

In domestic transportation the volume was up 8 percent and the traffic 7 percent. In international transportation the volume was up 7 percent, but the traffic was down about 4 index points (mainly because of the shorter haul in international maritime transportation). Only in the carrying of imported goods did the traffic increase (by 20.6 percent), while for all other categories--export, transit and carriage between foreign ports--it was down (index numbers: exports = 87.5; transit = 96.7; between foreign ports = 92.2).

Table 2. Distribution of Transportation Volume and Traffic

<u>Description</u>	<u>1978</u>	<u>1979</u>	<u>%</u>
1. Volume of domestic freight, in millions of tons	261.7	282.1	108
Traffic, in millions of ton-kilometers	34,129	36,571	107
2. Volume of international freight, in millions of tons	46.7	50.0	107
Export	7.6	8.1	106
Import	17.7	20.1	114
Transit	6.9	6.9	100
Between foreign ports	14.4	14.8	103
Traffic, in millions of ton-kilometers	194,581	187,802	103

In view of the aims of transportation policy and the need to conserve fuel, it is interesting to examine changes in the share of the various branches of transportation in domestic freight service. If we take the actual traffic in domestic transportation (ton-kilometers) as the basis, the share of the railroads increased from 46.2 percent to 47.7 percent, the share of maritime transportation remained unchanged--1.33 percent, and that of highway and river transportation decreased: from 45.0 percent to 43.9 percent for highway transportation and from 7.4 percent to 6.8 percent for river transportation.

The volume of Yugoslav exports and imports which went by sea was 19.7 million tons and amounted to 2.8 million tons, or 16 percent, more than in the previous year. Domestic maritime shipping companies carried 5.4 million tons, which is 27.6 percent of the volume of this cargo carried. In 1978 total exports and imports going by sea amounted to 16.9 million tons, the Yugoslav fleet carried 5.1 million tons, and its share was 30.3 percent.

The situation of passenger service last year was adverse for the railroads, whose passenger volume was down 4 million passengers from 1978 and 15 million from 1977. The reasons for the steady decline in rail passenger service are well known, but steps are being taken very slowly to alter this situation, which is also unfavorable from the standpoint of the social community. Otherwise, in river transportation there was a large increase in passenger traffic (index number 133 in terms of passenger-kilometers) and air transportation (index number 111). In highway transportation the volume

was up 7 percent (947 million passengers were carried), and the traffic was up 1 percent (shorter average trip). In maritime transportation the situation was similar: the volume rose 10 percent, but the traffic remained at the level achieved in 1978.

Total freight traffic in seaports was 31.0 million tons, which is 12 percent more than in the previous year. Domestic traffic rose 18 percent and international traffic 11 percent, thanks above all to an increase in the volume of imports through seaports (index number 121). In any case, goods involved in Yugoslavia's foreign trade and transit have a share of 81 percent in the traffic of the seaports.

The total volume of freight traffic in riverports was 51.5 million tons, 1 index point lower than in the previous year. By contrast with the maritime ports, the share of goods involved in foreign trade was 11 percent in the total traffic of the river ports.

In postal, telegraph and telephone service the largest growth was for telephone service, which showed an increase of 22 percent in terms of pulses. The growth of other services (letter mail and packages, telegraph service, etc.) was considerably less and ranged from 3 to 6 percent.

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OPERATING RESULTS, CONDITION, ECONOMIC POSITION OF YUGOSLAV AIRLINE

Belgrade TRANSPORT in Serbo-Croatian Jun 80 pp 31-33

[Article by Prvoslav Milinkovic]

[Text] Operating Results

In 1979 the Yugoslav Airline (Jugoslovenski aerotransport [JAT]) achieved important results and made a profit thanks to the efforts of the working people.

The few financial indicators given below illustrate the results of the conduct of business:

<u>Indicators</u>	<u>Achievement in 1979</u>	<u>1979/1978 (%)</u>
I. Gross income	7,340,982,125.80	137
Costs	4,941,861,728.95	143
Depreciation	754,269,009.12	136
II. Income	1,644,851,387.73	123
III. Net income	1,068,310,902.41	114

Volume of Operations

JAT aircraft made over 56,000 flights in 1979, they flew nearly 72,000 hours and covered 45 million km. The number of flights was up 6 percent over the previous year, flying time in block (blok) hours increased 10 percent and flight distance in air kilometers 8 percent. The offering was 6.4 billion seat-kilometers and 18 percent larger in 1979 than in 1978. Carrying capacity offered in available ton-kilometers was 793 million ton-kilometers in 1979, which is one-fourth, or 25 percent, more than in 1978.

Scale of Operations

In 1979 JAT carried 3,924,000 passengers, which is 9 percent more than in the previous year. It also carried more than 32,000 tons of freight. The volume of freight carried was 18 percent greater than in 1978. Traffic was

3.85 billion passenger-kilometers, which is 16 percent more than in the previous year, and total freight traffic in 1979 was 425.7 million ton-kilometers employed, which is one-fourth (25 percent) more than in 1978. Gross revenues from traffic operations was 4,752 million dinars and was 35 percent greater than revenues in 1978.

Over some 80 domestic routes the line carried 2,148,000 passengers and 13,400 tons of freight. Over the 44 regular international routes it carried 1,437,000 passengers and 14,100 tons of cargo. It is interesting that traffic operations (in ton-kilometers employed) were 3.2-fold greater on the international routes than on the domestic routes.

Much the same was true of revenues.

In charter operations JAT carried 338,000 passengers and 4,665 tons of freight.

Transportation Equipment

During last year JAT's fleet consisted of the following types of aircraft:

DC-9-32	13 planes
Boeing-727-200	5 planes
Boeing-707-320	4 planes (one of which is equipped as a cargo carrier)
DC-10-30	2 planes (the second went into service on 15 May)

Under an extreme strain these aircraft achieved a very high average daily use in 1979.

DC-9	8.82 hours/day
Boeing-727	8.97 hours/day
Boeing-707	8.60 hours/day
DC-10	9.93 hours/day

The average daily flight per aircraft is very high compared to other world and European air carriers. The high utilization of the fleet made it possible to achieve favorable operating results, even though the overstrained aircraft use also had adverse effects on regularity of flights, i.e., on the most essential element in the quality of service in air transportation.

Aside from these 24 aircraft used in traffic operations, JAT also has 42 aircraft for agricultural operations and 25 aircraft for training flight personnel. The agricultural aircraft treated about 800,000 hectares of farmland. The aircraft for training pilots flew about 15,000 hours during 1979.

Personnel and Organization

As of 31 December 1979 JAT had a work force of 5,867. Workers with junior and senior postsecondary schooling represent 39 percent of the total work force. This composition of the work force with respect to schooling is indeed particularly necessary because of the high engineering and technological characteristics of the equipment.

Within JAT there are 13 basic organizations of associated labor, as follows: Flight Operations, Technical Operations, Commercial Operations, Ground Crew, Air Yugoslavia, Montelny, Garage, Training, Electronics Center, Titograd Airport, Tivat Airport, Belgrade Agricultural Aviation and Vrsac Agricultural Aviation. Four work communities have also been formed: Joint Staff Services, Accounting and Financial Services, Capital Investment Project Service, and Security Service.

Infrastructure

Considerable capital has been invested in the infrastructure, so that JAT is now employing the following:

- a. two airports along with runways and corresponding equipment,
- b. hangar for aircraft repair and motor workshop,
- c. electronic center with computers,
- d. SITA center and terminals for electronic seat reservation,
- e. facility with equipment for preparing food for passengers,
- f. flight simulator to train pilots for the DC-9 aircraft,
- g. trainer for the DC-10 aircraft,
- h. five simulators for basic and IFR training of pilots,
- i. sizable number of buildings and other structures,
- j. sizable number of machines, pieces of equipment, test tables, communications equipment, and so on.

JAT has 617 housing units and another 343 under construction. Though the amount of capital is sizable, especially with respect to the aircraft and infrastructure, the fact is that neither meets present needs. We particularly note a lag in construction of infrastructural facilities, and this is threatening to seriously jeopardize normal conduct of business in the future. Difficulties in obtaining capital have contributed to the fact that

for all practical purposes the maximum is invested in the fleet, and not enough is invested in the infrastructure.

There are 182 buses in operation, which traveled an average of 36,148 km, and 110 automobiles with an average annual use of 14,095 km. In all, the motor pool accounted for 5.5 million km by motor vehicles, which is 12 per cent more than in 1978.

In the electronic center the computer operated more than 4,500 hours; it processed 3.5 million cards and made more than 4 million reservations.

The training department conducted about 20,000 class hours in theory, about 6,000 training hours on the simulator and about 15,000 hours of flight training in the training zone.

In the hostelry sector about 3.5 million meals were prepared to serve passengers in flight.

Business Operation

In domestic transportation JAT links all the republics and provinces to one another and provides appropriate links to all the country's economic and cultural centers as well as with foreign countries. In European and Mediterranean traffic JAT planes fly to practically all the countries of Europe, the Near East and North Africa. In intercontinental transportation our aircraft fly to the United States and Australia, and charter service is maintained also to China and Canada.

Air transportation provides fast and efficient communication from our country to the rest of the world and makes for sizable savings on traveling expenses and traveling time. Aside from its business function, JAT's intercontinental service also has other functions, especially in that it links our country to regions where our emigres and their descendants live, since in returning to their homeland they ordinarily fly on JAT.

JAT is offering substantial assistance to the nonaligned countries, especially those in Africa, in the training of personnel, in maintaining certain routes, in the leasing of aircraft, and so on.

The component of high security and safety is part of the very nature of air transportation. The most modern equipment and keen international competition necessitate a high quality of service. All of this demands that the entire work force make great efforts every day in performing job duties so that the organization performs its function satisfactorily. In 1979 particular emphasis was put on the effort to improve the quality of service and to achieve greater regularity. Better organization could eliminate a large number of oversights in operation and improve the level of service, thereby making for better results in terms of income. However, the objective conditions under which business is conducted sometimes create difficulties that are hard to overcome. The shortage of fuel at certain moments

and the steady rise of prices are having an essential impact on the conduct of business. This phenomenon also has an impact on punctuality and quality of service. Fuel is the most sizable item in JAT's costs.

Plans

An organized effort has been made within JAT for a long time now to draft a new medium-term plan in which development policy will be defined. The plan will reflect an examination of the potential for development and the needs of the economy and society, and this is to be examined and accepted by other principals that participate in planning and the adoption of agreements, especially by that sector of associated labor which uses our services and the agencies of sociopolitical communities, which are likewise interested in the development of air transportation.

JAT has contracted to purchase another two Boeing-727-200 aircraft in 1980 in order to develop traffic operations further on routes of medium length.

Renewal of the basic JAT fleet--DC-9 aircraft--will be necessary over several years. Much the same is the case of the Boeing-707 aircraft, which get old in a few years and will not be able to meet requirements with respect to the noise which they make, and they will also have to be replaced.

JAT faces the imperative need of building a large hangar for aircraft repairs which can accommodate the wide-hull aircraft (DC-10's), since otherwise it will not be possible to perform all maintenance operations, and that would mean a sizable outflow of funds from the country to pay for these operations abroad.

Electronic processing of data in JAT goes back some 12 years now. The present equipment is outdated, so that certain processing operations already must be done abroad because of the small capacity of equipment in Yugoslavia.

JAT will see that cooperation is better with other air carriers in order to achieve their joint goals through better use of the fleet, adoption of standard aircraft types for the fleet, reduction of maintenance costs, joint efforts on the domestic and foreign markets, the supply of competent trained personnel, coordination of development policy, and so on.

JAT is also achieving a sizable inflow of foreign exchange, since about 60 percent of gross income consists of foreign exchange.

Regular domestic and international traffic operations remain JAT's principal activity in all plans, and the growth of capacity will be aligned with the potential of the market.

Our country's geographic position and its place in the world are opening up possibilities so that development of JAT's fleet and infrastructure to become the most important factor in linking this portion of Europe with all

regions of the world, especially with the nonaligned countries in Africa and Asia. This transportation linkup would provide the economy better connections with that market and with sources of certain indispensable raw materials.

Conclusion

The year 1979 was one of a series of successful business years for JAT. In spite of the more difficult conditions for the conduct of economic activity, operating results were good. There are good prospects for further development assuming the entire work force and other principals make the necessary efforts. JAT's development with respect to fleet and infrastructure will provide still better linkage of all entities in economic and cultural life within the country and also with the rest of the world, which will create still more favorable conditions for the development of economic and other cooperation.

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FISH PRODUCTION, CONSUMPTION TO 1985

Zagreb AGRONOMSKI CLASNIK in Serbo-Croatian No 3, Mar 80 pp 375-388

[Article by Ivan Kustrak, graduate agricultural engineer and member of the Presidium of the Croatian Economic Chamber: "Medium-Term and Long-Range Development Plans of Yugoslavia's Maritime Fishing Up to the Years 1985 and 2000"]

[Excerpts] Introduction

Up to now maritime fishing has not been developing in our country in line with either its needs or potential because of the lack of a long-range conception of development. The consumption of fish and other products in the diet of the population is low, almost the lowest of countries which have a seacoast, and in recent years even this low consumption has been supported by imports. The meat shortages which occur from time to time because of the production cycle are resolved as a rule by importing meat, but not by a proportionate increase in the consumption of fish, not only as a substitute for meat consumption, but in general, by increasing the consumption of protein. It is obvious that increased consumption of salt-water fish, mollusks and crustaceans should be developed because of their nutritional properties in the form of an abundance of protein, mineral salts and vitamins, as well as because of their easy digestibility.

Moreover, the development of livestock production, especially of poultry raising and hog raising, is not possible without fish meal as an indispensable component in the production of livestock feed, that is, in the production of meat. This problem is also being solved through imports.

The first program which was more ambitious was adopted as part of the Agreement on Development of the Agroindustrial Complex of Yugoslavia, which was reached in 1977 and which provided that 135,000 tons of saltwater fish would be produced in 1980, 40,000 tons of which were to be caught in the Adriatic, 5,000 tons were to be raised in hatcheries, and 90,000 tons were to come from long-distance fishing in collaboration with the developing countries. However, performance of this program has gone very slowly, and therefore the fishing industry in Croatia, in its Self-Management Accord on Production, Processing and Sales of Saltwater Fish, which

was signed in 1979, postponed fulfillment until 1983. As matters now stand, we must postpone this target until 1985, but we must continue to insist on fulfillment of this program.

1. Development of Fish Production and Consumption in Yugoslavia Up to Now

Over the last 10 years the total catch has grown by 18,000 tons from 45,000 tons in 1969 to 63,000 tons in 1978, or 40 percent. The catch of saltwater fish increased 7,500 tons, from 29,900 to 37,400 tons, or 25 percent, and the catch of freshwater fish 10,500 tons, that is, from 15,000 to 25,500 tons, or 70 percent. The dominant group in the saltwater catch are the bluefishes, which have a share of 82.3 percent in the total catch and which go primarily for industrial processing, and the dominant freshwater species is carp, which has a share of 60.3 percent. Over that same period of time livestock production increased 46.3 percent, which is faster than the growth of the catch of saltwater fish, but slower than the growth of freshwater fishing.

At the same time, whereas in 1977 our country's fish catch had a share of only 4 percent in total production of meat and fish, that share in the world at large was 36.1 percent. Imports of fish and manufactured fish products has increased 8,400 tons from 20,000 tons in 1968 to 28,400 tons in 1979, or 3.3-fold. Largest imports were in 1974, when they amounted to 36,100 tons (including minimum amount of freshwater fish for hatcheries and caviar), and fresh-frozen fish had a share of over 80 percent in those imports. In that same period exports increased 13,400 tons from 11,000 tons in 1968 to 24,400 tons in 1969, or 2.2-fold. In 1979 we had a foreign exchange inflow from exports of fish and manufactured fish products amounting to \$36.8 million U.S., including \$22 million U.S. for exports of canned fish. Imports amounted to \$23.2 million U.S., so that a surplus of \$13.6 million U.S. was achieved. However, we need to draw up a true balance sheet to cover imports of producer goods and equipment for the fish industry and round it out with the fresh-frozen fish for general consumption if we are to see the true picture of the exports and imports of the fish industry and of saltwater fishing particularly. Now, fish meal is the largest import item. We began to import the first sizable amounts in 1959, about 7,000 tons, and then in 1963 they amounted to 23,300 tons, and our largest import figure was for 1970, when we imported 119,000 tons. In the period from 1968 to 1979 imports increased 34,300 tons, that is, from 48,000 tons in 1968 to 82,300 tons in 1979 [original reads "1969"], or 71.4 percent, with sizable fluctuations from year to year. However, when we see that we spent \$40.4 million to import fish meal in 1979, then this adds to the importance of ocean fishing not only to the country's balance of payments, but also to the future development of livestock raising. That is, our livestock raising achieved sizable exports amounting to \$320 million U.S. in 1979. However, \$66.1 million U.S. were spent to import fish meal and pellets, and about \$70 million U.S. were spent to import the soybeans processed at Zadar, which means a total of \$136 million U.S. to import high-protein livestock feed alone. It is obvious that imports of fish

meal and soybeans will have still greater importance to the development of our livestock raising, and I feel that this problem ought to be resolved in cooperation with the developing countries. Moreover, the development of maritime fishing, especially long-distance fishing, is not the exclusive concern of the fishing industry, but indeed of other interested entities as well. Total per capita fish consumption (freshwater and saltwater) barely doubled between 1952 and 1977, increasing from 1.2 to 2.5 kg. Highest consumption was in 1973, when it was 3.3 kg, because of the larger imports of saltwater fish, whose per capita consumption that year was 2.6 kg. Per capita saltwater fish consumption has by and large stayed the same at slightly more than 2 kg in the period from 1975 to 1979. This consumption is very low compared to other countries and to our own needs, which is why all our development plans ought to take this into account. At the same time, fish meal consumption amounting to more than 30,000 tons per year and the fact that this production requires about 400,000 tons of fish (the conversion factor used in fish processing is that 5 tons of fish are needed for 1 ton of fish meal) indicate that we are rather large indirect consumers of fish, through livestock feed and the production of meat.

2. Projection of Development Up to the Year 1985

In the Agreement on the Bases of the Yugoslav Social Plan for Development of the Agroindustrial Complex in the Period From 1976 to 1980, which was adopted in 1977, Article 17 provides, and I quote: "that the development of fishing is to be based on improvement of the catch and the raising of fish in fish ponds, rivers and lakes and storage reservoirs, as well as on improvement of the fish catch in the Adriatic and long-distance fishing, so that the catch and production of fish in 1980 should amount to 184,800 tons." Within that total it was envisaged that the production of freshwater fishing would be 50,100 tons and that of ocean fishing 134,700 tons. In 1976 we produced 24,000 tons of freshwater fish, which means that we were to double production by 1980. It is obvious from the results so far that we will not reach that target.

The target for production of 134,700 tons of saltwater fish consisted of 90,000 tons from long-distance fishing and 44,700 tons from fishing in the Adriatic, which also includes cultivation of 5,000 tons of saltwater fish. This means that actually the catch of fish in the Adriatic in 1980 ought to be 39,700 tons. Since 1976 our organizations have increased their catch from 34,800 tons to 35,200 tons in 1977 and 37,400 tons in 1978, and it seemed that in 1980 we could reach the planned catch. However, there was a dropoff in 1978, and the catch was 33,700 tons, and we certainly will not be able to achieve the planned production. The reasons for the dropoff, I believe, are objective and subjective. It is difficult to state briefly and explain why we did very little to build new modern fishing vessels and to rebuild existing ones. As a matter of fact, last year, in 1979, we did move from dead center thanks to the activity of several of our work organizations. Droga of Portoroz purchased two new vessels built at the domestic shipyard Greben in Vela Luka. This work organization is

also leasing two vessels from Poland, with which certain experience has also been gained. This year, in 1980, Skoljka of Porec and Neptun of Kominza have each contracted to have two vessels built in the Greben Shipyard. Credits for the purchase of two vessels each have been extended to the organizations Mardesic of Sali and Adrija of Zadar. Skoljka of Porec has purchased four marine engines from the GDR for reconstruction of its existing vessels. Jugoriba of Zagreb has contracted for 16 engines to be delivered in 1980 and 18 engines in 1981, also from the GDR, for other organizations. As for the raising of saltwater fish, we have also achieved initial success, which makes it possible to expand this production. I am convinced that there will be several statements made about this at the conference. We have done least to develop long-distance ocean fishing, since we have gone no further than certain talks and visits of delegations. This is probably a priority task for future development, provided, though, we increase the catch in the Adriatic, that we give our fishing organizations the economic capability and that we also equip ourselves for joint production of fish in the developing countries. In selecting the developing countries we should think not only about fish, but particularly of fish meal, and we must also enter into the joint production of soybeans and then tropical fruit, coffee, cocoa beans, and also other agricultural products which are raw materials for our textile industry (cotton and wool) and hides for the leather industry.

The first considerations and examinations of fish production in medium-term plans for the period 1981-1985 are not satisfactory. Some materials plan meat and fish jointly, and it is not evident what share is given to fish, which at the same time means that the production and consumption of fish is being underestimated. Nor do these materials give a proper place to development of the fishing industry within the development of our country's agricultural and food processing industry. In certain other projections per capita fish consumption is planned at 4.5 kg in 1985. What does this actually mean? On an earlier occasion I have stated that FAO envisages in its production that the developing countries will achieve a per capita fish consumption of over 10 kg (10.4 or 11.6 in the two versions), and the advanced countries will exceed 28 kg (28 or 28.8 kg), and the question arises why we are lagging behind with such low consumption? I personally feel that the program for development of the catch and raising of saltwater fish in the Adriatic and for long-distance ocean fishing in the period 1976-1980 is realistic and that those same goals should be set and attained in the period up to 1985. I also feel that a separate study should be made of the program for catching fish for the manufacture of fish meal, without which we will have great difficulties in development of livestock raising, especially of poultry raising, which in recent years has been developing most dynamically in our country. Certain countries which have developed maritime fishing have managed to augment the development of poultry raising. I will take as an example Spain, which increased per capita poultry meat production from 3.3 kg in 1961 to 23 kg in 1978, and which also has a per capita fish consumption of nearly 30 kg. If this is to be paid significance, as a tourist country we should also take this

into account. If we organize long-distance ocean fishing, I feel that per capita fish consumption could reach 7-8 kg in 1985. As for the projected need for fish meal, it has been forecast that it could amount to 180,000 tons in 1985.

3. Projection of Consumption Up to the Year 2000

As we have seen, the projection for world fish production from the year 1980 to the year 2000 forecasts a growth of 17 million tons from 75 million to 92 million tons, or 22.6 percent. According to the forecast, Yugoslavia will have a population exceeding 25 million in the year 2000, and we should plan for our per capita fish consumption to reach at least 10 kg, and on the basis of the consumption achieved by the advanced countries, we should strive to increase per capita consumption to 15 kg. Of course, it is very difficult to make such a long-range forecast, but if we start from the premise that some of the projections assume that we will be consuming 70-75 kg of meat ("Long-Range Development of Livestock Raising"--Dr Dusan Tomic, Belgrade, 1979), then this production of fish would be realistic, and this consumption desirable and, we might even say, indispensable. As for fish meal, it has been forecast that needs in the year 2000 would amount to about 350,000 tons.

Table 5. Catch, Imports, Exports and Consumption of Saltwater Fish in Yugoslavia

<u>Elements</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Catch, in tons	26,740	30,850	30,720	30,356	30,223
For processing	14,753	17,016	18,324	19,253	18,564
For general consumption	11,987	13,834	12,396	11,103	11,659
Imports, in tons	21,955	19,429.6	20,598.4	28,718.7	34,687.6
For general consumption	13,857	12,602.6	13,602.4	21,687.7	24,127.6
For reproduction	8,098	6,827	6,996	7,031	10,560
Production of manufactured fish products, in tons	22,006	24,156	26,632	27,497	31,669
Exports, in tons	9,445.6	9,211.8	9,358.4	12,453.9	12,352.8
Sales on the domestic market	12,560.4	14,944.2	17,273.0	15,038.1	19,316.2
Saltwater fish consumption:					
Fresh and frozen	25,844	26,436.6	25,988.4	32,790.7	35,786.6
In the form of manufactured fish products	<u>12,560.4</u>	<u>14,944.2</u>	<u>17,273.6</u>	<u>15,038.1</u>	<u>19,316.2</u>
Total	38,404.4	41,380.8	43,272.0	47,828.8	55,102.8

Table 5 (continued)

<u>Elements</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Per capita consumption in kg	1.88		2.08		2.60
<u>Elements</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Catch, in tons	32,251	34,855	35,249	37,465	33,735
For processing	21,764	23,069	24,182	25,292	24,363
For general consumption	10,437	11,786	11,067	12,173	9,372
Imports, in tons	23,710.2	25,163.5	26,069.6	33,545.5	26,807
For general consumption	15,834.2	20,475.5	19,013.6	21,980.5	14,917
For reproduction	7,876	4,688	7,056	11,565	11,890
Production of manufactured fish products, in tons	30,179	27,922	31,439	35,328	36,374
Exports, in tons	10,673.1	15,320.8	12,901.3	14,499.2	14,550
Sales on the domestic market	19,505.9	12,601.2	18,537.7	20,328.8	21,824
Saltwater fish consumption:					
Fresh and frozen	26,321.2	32,261.5	30,080.6	34,153.5	24,289
In the form of manufactured fish products	<u>19,505.9</u>	<u>12,601.2</u>	<u>18,537.7</u>	<u>20,828.8</u>	<u>21,824</u>
Total	45,827.1	44,862.7	48,613.3	54,982.3	46,113
Per capita consumption in kg		2.03	2.24		2.09

Source: Business Community for Maritime Fishing, Zagreb.

Table 6. Imports of High-Protein Livestock Feed in Yugoslavia

	<u>Oil Cake</u>		<u>Fish Meal</u>	
	<u>Tons</u>	<u>Thousands of Dinars</u>	<u>Tons</u>	<u>Thousands of Dinars</u>
1968	121,513	208,742	48,095	107,549
1969	139,143	236,361	55,317	120,122
1970	196,190	362,450	119,037	359,477
1971	188,351	357,767	69,540	239,830
1972	149,340	328,762	53,280	175,635
1973	200,160	970,056	66,913	581,212
1974	271,186	1,126,715	79,923	704,539
1975	149,668	439,999	50,627	270,118

Table 6 (continued)

	Oil Cake		Fish Meal	
	<u>Tons</u>	<u>Thousands of Dinars</u>	<u>Tons</u>	<u>Thousands of Dinars</u>
1976	246,614	866,248	62,944	400,606
1977	211,409	1,026,139	80,922	701,030
1978	161,890	646,105	82,059	757,612
1979	89,881	469,134	82,315	737,939

Source: "Statisticki godisnjak Jugoslavije" [Yugoslav Statistical Yearbook] and bulletins of the Federal Bureau of Statistics.

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